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HARVARD ECONOMIC STUDIES

PUBLISHED UNDER THE DIRECTION OF
THE DEPARTMENT OF ECONOMICS

VOL. XVI

NUMBERS I—III

ESSAYS
IN THE EARLIER HISTORY OF AMERICAN CORPORATIONS

NUMBERS I—III

BY

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CAMBRIDGE
HARVARD UNIVERSITY PRESS
LONDON: HUMPHREY MILFORD
OXFORD UNIVERSITY PRESS
1917

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TO

MY FATHER AND MOTHER

ESSAYS IN THE EARLIER HISTORY OF AMERICAN CORPORATIONS

I. Corporations in the American Colonies.

II. William Duer, Entrepreneur, 1747–99.

III. The "S. U. M.": the First New Jersey Business Corporation.

IV. Eighteenth Century Business Corporations in the United States.

PREFACE

THIS group of studies is presented as a modest contribution to the economic and social history of the United States before 1800, especially for the last decade or two of the eighteenth century.

All of the four essays treat primarily of the corporation and its legal, social, and economic place in the community. They vary widely, however, in scope. The first sketches lightly the corporations of all sorts — colonizing, governing, ecclesiastical, educational, charitable, trading, etc. — as they appeared in the British colonies that later became the United States. The third treats intensively of a single manufacturing corporation and chiefly of its earlier years, 1791–96. The fourth summarizes the outstanding facts regarding the three hundred and odd business corporations chartered in the eighteenth century and particularly after 1783. The second — which is printed in this collection only after considerable hesitation — deals with the career of a big business man who had much to do with several corporations and near-corporations, and whose activities reveal certain significant aspects of the *milieu* in which the business corporation developed.

The writer has sought to illuminate the shadowy background of the modern corporation; to give concreteness to our view of its early development on American soil. The studies are therefore based not alone on statute books and court decisions, but to a large extent on letters, financial records, newspapers, magazines, and pamphlets contemporary with the corporations discussed, and on local histories based on similar materials.

A well-rounded treatment is impossible: there are many utter gaps or serious deficiencies in the available data; elsewhere additional facts can be secured only with such difficulty that the product doubtfully repays the cost of digging; at still other points ample information can be obtained. The author has therefore frankly compromised with his sense of proportion and presented illuminating material where it could be had. Because of the comparative inaccessibility of many of the sources, quotations, especially from unpublished manuscripts and rare old newspapers, have been liberally made.

Grateful acknowledgment is here made for courtesies extended by libraries and corporation officials who have given access to manuscripts, newspapers, or documents in their keeping. These include the libraries of Congress and Harvard University; the state libraries of Massachusetts, Connecticut, and New Jersey; the libraries of the historical societies of Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania; the John Carter Brown Memorial Library at Providence; and the American Antiquarian Society Library at Worcester. The officers of the Society for Establishing Useful Manufactures, at Paterson, and the First National and the National Union banks of Boston have permitted the writer to examine their early records; and officers of the Bank of North America, the Bank of New York, the Providence National, the New Haven Bank, the Hartford-Aetna Bank, and the Industrial Trust Company of Providence have kindly answered inquiries.

Portions of the manuscript, at various stages in its preparation, have been read by Professors C. J. Bullock, E. F. Gay, F. W. Taussig, Edward Channing, F. J. Turner, and E. H. Warren of Harvard University, and suggestions received from them. Especial acknowledgment is due to Professor Bullock, under whose direction the first of the essays was undertaken, and whose valuable criticism and counsel have been freely drawn upon in many connections. To the members of his own immediate family the writer owes much for tangible and intangible aid in many forms. For these kindnesses he would here render humble and hearty thanks.

For the numerous sins of omission and commission in these essays the writer begs forgiveness in advance; and he will cordially appreciate corrections or additions from readers whose information at one or another point may supplement his own.

J. S. DAVIS.

HARVARD UNIVERSITY
June 21, 1916.

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ESSAY I

CORPORATIONS IN THE AMERICAN COLONIES

CORPORATIONS IN THE AMERICAN COLONIES

CHAPTER I

THE LEGAL BASIS OF CORPORATE POWERS

THE modern corporation is of ancient lineage. A thoroughly adequate account of its ancestry and early development has yet to be written. This, however, is not peculiarly a task for an American student. For by the time this continent was discovered the corporation had attained a definite status in the social constitution of England. During the first century of European contact with the New World the number of uses to which the corporate form was put was considerably enlarged. Before the English had made their first permanent settlements in America their ingenious merchant adventurers had combined with this developed institution their well-tested device of a joint stock or common capital contributed in shares, and so paved the way for its most extensive application, in the domain of business.[1] From the founding of Jamestown to the days of the Revolution, successive shiploads of British subjects brought with them larger and larger familiarity with the corporation, — for plantation and town organization, for charitable, religious, or literary foundations, for trading and local business purposes. The institution was well matured in England during the American colonial period.

It is therefore not surprising that from a very early date the corporation should have played a prominent rôle in American life. "In fact," says a keen student of English and American history, "the whole advance of English discovery, commerce, and colonization in the sixteenth and early seventeenth centuries was due not to individuals, but to the efforts of corporate bodies."[1] It was a corporation to which Sir Walter Raleigh, in 1587, entrusted the colonization of Virginia. The first permanent English settlements, both in Virginia and in New England, were made on the initiative and at the expense of corporations modelled after the contemporary joint stock companies for foreign trade. For over a century before the Revolution the colonies of Connecticut and Rhode Island were each governed by a "Governor and Company," incorporated by charter from the English crown. The colony of Georgia was founded, and for twenty years had its destinies directed, by a group of charitable English gentlemen who constituted a typical English eleemosynary corporation. The London and Edinburgh missionary societies, incorporated, were important factors in promoting the religious development in several colonies.

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[1] The first joint stock corporation was chartered in 1555: W. R. Scott, *The Constitution and Finance of English, Scottish and Irish Joint Stock Companies to 1720* (Cambridge, Eng., 1910–12), ii, 37.

Furthermore, as fast as the plantations grew into communities their inhabitants naturally reproduced the corporate institutions with which they and their fathers had been familiar in the mother country. The earliest of these to spring up in America were of the type which we should now designate as *public* corporations, — such as towns, boroughs, and cities; but before the end of the colonial period a considerable number of truly *private* corporations had been established, for ecclesiastical, educational, charitable, and even business purposes.

It is the purpose of this essay to set forth the naturalization of the corporation in the New World; in other words, to summarize briefly the available evidence regarding these American colonial corporations, especially in so far as it concerns their number, classification, method of incorporation, and distribution among the several colonies. As an almost indispensable preliminary to this summary the legal basis upon which their powers rested will be first considered.

---

[1] Edward P. Cheyney, "Some English Conditions Surrounding the Settlement in Virginia," in *Amer. Hist. Rev.*, xii, 512 (1907).

A corporation was then, as now, a group of individuals authorized by law to act as a unit, though the term was extended to include *corporations sole* (as well as *corporations aggregate*), in which the corporation consisted of an individual and his successors. Much was said about its being a person, — a "fictitious person" indeed, intangible, but no less real; and of its perpetuity, even "immortality," — despite the mortality which overtook many, especially those for business purposes. Certain attributes, at all events, this person or unified group was recognized as possessing. It had a name distinct from the names of its members, in which it could sue and be sued. It had a "common seal," peculiar to itself, which was required to evidence its acts. It had "perpetual succession," that is, members might come and members might go, but it went on forever — provided of course no internal or external forces terminated its existence: the death, insanity, withdrawal of old members and the entrance of new ones in no way affected its legal existence or constituted more than incidents in its legal life. It had the right of holding property as its own — which was not the property of any of its members or of all of them together — and to dispose of such estate. Normally this property was not liable for obligations of members, and their private property was likewise not subject to be taken to pay debts of the corporation — so distinct were the "persons" kept. Moreover, this body had a well-defined constitution, with power to regulate minor matters by by-laws not inconsistent with its basic act or the laws of the land. Such were the common characteristics of corporations, for whatever purpose they came into existence. Features peculiar to particular corporations were set forth in the document which normally evidenced its right to enjoy these high powers and privileges. All this was equally true in England and in America.

Now the English law of this period laid great stress upon the necessity for a proper legal foundation for the exercise of corporate rights.[1] To be a corporation was a special privilege, not an inherent right, of a group of individuals. And unless a would-be corporation had been "created" or "erected" in due form and by a competent authority, its position was at all times subject to attack, and it was liable to be suddenly and ruthlessly shorn of the powers and privileges it was enjoying.

---

[1] The English law of corporations during this period is presented in Lord Justice Coke's decision in the *Case of Sutton's Hospital* (1612), 10 Coke; William Shep-

In England the normal mode of conferring corporate rights was by an issue of "letters patent" or charter from the crown, formally designating the body of individuals a corporation and specifying appropriate privileges.[1] It was admitted that corporations might be created by act of Parliament, to which the king's assent was given, but Parliament seldom exercised this right directly and generally confined its acts relating to corporations to confirming royal charters, prescribing certain features of charters to be granted, and setting limits on the privileges which the crown might confer.[2] Some bodies which had long exercised corporate powers, moreover, were recognized as corporations "by prescription" in view of their long existence as such, even though they could show no specific grant.[3] There were also certain groups which were deemed corporations by the common law without express grant of corporate powers; such were the "Parishioners or Neighbors in a Parish, Village or Town, & the Church Wardens of every Parish."[4] Even in the case of corporations "by prescription" or "at the common law" the assent of the king was held to be implied. Neither class, however, formed an important one among seventeenth and eighteenth century corporations; and the dictum of Lord Coke pronounced

---

heard's *Of Corporations, Fraternities and Guilds* . . . (London, 1659); Anon., *The Law of Corporations* . . . (London, 1702); and William Blackstone, *Commentaries on the Law of England* (1st ed., Oxford, 1768), i, 467–485.

[1] Blackstone, *Commentaries*, i, 472–473.

[2] *Ibid.* Note the wording of the preamble of the act of 6 Geo. I, c. 18 (1720), which authorized the crown to grant charters, on specified conditions, to two insurance companies: ". . . whereas the sole Right and Prerogative of granting Charters of Incorporation (not being such as are repugnant to any Law or Statute of this Realm) doth belong to your Majesty." After the Revolution of 1688, however, it was recognized that the crown could grant no exclusive or monopoly privileges without authority from Parliament.

[3] Blackstone, *Commentaries*, i, 473.

[4] Shepheard, *Corporations*, 3; Blackstone, *Commentaries*, i, 472; E. H. Warren, in *Harvard Law Review*, xxi, 308 (1908).

in 1612, that "none but the King alone can create or make a corporation,"[1] was quoted as substantially accurate throughout this period.

These principles of law applied to the English colonies in America, as part of the realm of England. The earliest colonial corporations, and occasional later ones, therefore possessed charters granted directly by the crown, which were issued in the same form, by the same process, and under the same conditions as charters for corporations to operate in the British Isles.[2] But as soon as the colonial governments had attained a slight degree of development the great majority of American corporations were erected by grants from colonial proprietors, governors, or assemblies, and not by letters patent issuing from the English crown or by act of Parliament.[3] Such methods of incorporation were not specifically provided for in the common law. It is necessary, therefore, to inquire with some care into the nature, extent, and limitations of the right to incorporate as it was enjoyed by these various colonial authorities.

In legal theory such rights of incorporation as were possessed by colonial authorities were presumed to be delegated, explicitly or by implication, from the ultimate source of that right, — the sovereign. Such a delegation of the prerogative, though once prohibited, was by this time sanctioned by the common law, and was occasionally illustrated in English practice. Thus by special grant the chancellor of the University of Oxford was employed to erect corporations within his jurisdiction.[1] Likewise by special authorization, in particular cases, the final act of erecting a charitable corporation was sometimes left to the founder.[2] And by ancient custom the power to incorporate was counted among the "jura regalia" enjoyed by the Bishop of Durham within his "county palatine."[3] In England proper such incorporation by delegated authority was of relatively minor importance. In the colonies, on the other hand, practically all the corporations that were strictly American in origin and control were thus created.

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[1] *Case of Sutton's Hospital*, 10 Coke 33 b (1612). Cf. Blackstone, *Commentaries*, i, 472–474.

[2] See Charles Deane, "The Forms in Issuing Letters Patent by the Crown of England," in *Mass. Hist. Soc. Proc.*, 1st Series, xi, 166–174 (1869).

[3] It is not clear that there were in the colonies any corporations existing "by prescription" or "at the common law." In 1833, however, a judge of the federal Circuit Court stated (in the *Case of Sarah Zane*, reported in Hazard, *Register of Pa.*, xiv, esp. 308–309): "The view which we feel constrained to take of the Constitutions of 1701, 1776, and 1790, all of which remain in force, so far as respects the rights of property, conscience, and religious worship, is this: that all bodies united for religious, charitable, or literary purposes — though without a written charter or law — are to be considered as corporations by prescription, or the usage of the common law of the State, with all the attributes and incidents of such corporations, and entitled to all rights which are conformable to the customs of the Province." It is to be doubted whether this was "good law." Cf. *Dillingham* v. *Snow et al.*, 5 Mass. 547, 568, where it was held that a corporation might be proved to be such without showing the act of incorporation.

The delegation of the right to incorporate was seldom explicit and practically never comprehensive in terms.[4] As a rule it had to be inferred from more or less general grants or relationships. It was perhaps least inadequately expressed in the grants to the proprietaries. In the first place, most of the proprietary patents contained an authorization, in more or less definite terms, to incorporate municipalities. Thus William Alexander, upon whom James I bestowed the province of New Scotland (1621), is invested "cum potestate civitates, liberos burgos, liberos portus, villas et burgos Baroniæ, erigendi. . . ."[5] The charter of Maryland (1632) confers the right

> "Villas item in Burgos et Burgos in Civitates ad Inhabitantium Merita et Locorum Opportunitates cum Privilegiis et Immunitatibus congruis erigendi et incorporandi. . . ."[6]

Substantially the same clause is to be found in the charters of Carolana (1629), New Albion (1634), and Pennsylvania (1681).[7] In Maine, Sir Ferdinando Gorges is given

> "power to erect, rayse, and builte, from time to tyme, in the province, teretory, and coasts aforesaide, . . . soe many forts, fortresses, platforms,

---

[1] Blackstone, *Commentaries*, i, 474.

[2] *Case of Sutton's Hospital*, 10 Coke 33 (1612).

[3] G. T. Lapsley, *The County Palatine of Durham* . . . (New York, 1900), 35–36.

[4] A. M. Davis, "Corporations in the Days of the Colony," in *Col. Soc. of Mass. Pubs.*, i, 185–190 (1895).

[5] Ebenezer Hazard, *Historical Collections: Consisting of State Papers and Other Authentic Documents* . . . (Philadelphia, 1792–94), i, 136.

[6] *Ibid.*, i, 333.

[7] *The Colonial Records of North Carolina*. . . . Ed. by W. L. Saunders (Raleigh, 1886–90), i, 11; Hazard, *State Papers*, i, 166; *Pa. Colonial Records* (*Minutes of the Provincial Council of Pennsylvania*. . . , Harrisburg, 1838–52), i, 22.

castells, citties, townes, and viladges, and all fortificacons whatsoever, and the same and every of them to fortifie . . . ; And to the said citties, boroughs, and townes, to graunt Letters or Charters of incorporacon, with all the liberties and things belonging to the same; . . ." [1]

Practically the same provision appears in the Carolina grants of 1663 and 1665, though here it is expressed with slightly greater definiteness, in part:

" . . . and to the said cities, buroughs, towns, villages, or any other place or places within the said province, to grant 'letters of charters of incorporation,' with all liberties, franchises, and priviledges requisite and usefull,[2] or to or within any corporations, within this our kingdom of England, granted or belonging." [3]

The Carolana (1629), Maryland,[4] and Pennsylvania grants, moreover, contain a further clause which seems broad enough to include the entire power in question: the proprietary is authorized

"to doe all and every other thing and things touching the premises which to him or them [his assigns] shall seeme requisite and meete albeit they be such as of their owne nature might otherwise require a more especial commandment and warrant, then in these presents is expressed." [5]

Furthermore, it is not unreasonable to infer that the power to erect corporations was included among the prerogatives granted by the "Bishop of Durham clause" which most of the proprietary charters contain. This confers (to quote the grant of Maine)

"all and singuler, and as large and ample rights, jurisdicons, priviledges, prerogatives, royallties, liberties, imunities, fraunchisses and hereditaments, aswell by sea as by land, within the said Province and premisses . . . , as the Bishop of Durham within the Bishopricke and Countie Palatine of Duressme in our Kingdome of England, now hath, vseth, or inioyeth, or of right ought

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[1] Hazard, *State Papers*, i, 448.

[2] The 1665 charter here reads "usual."

[3] *N. C. Col. Recs.*, i, 30, 111.

[4] Edward McCrady, *The History of South Carolina under the Proprietary Government* (New York, 1897), 54–58, points out that both the Maryland and Carolina charters were based on the Heath patent for Carolana.

[5] Quoted from the Pennsylvania charter, in *Pa. Col. Recs.*, i, 22 (ed. 1858). For corresponding clauses in the other patents, see *N. C. Col. Recs.*, i, 11; J. L. Bozman, *History of Maryland* . . . (Baltimore, 1837), ii, 17.

> to have, vse, and inioy within the said Countie Palatine, as if the same were herin perticularly menconed and expressed, . . ."[1]

Inasmuch as none of the charters contains any specific restriction upon the exercise of this power, the courts would almost certainly have upheld the proprietaries in a general exercise of it; and at least negative testimony to the truth of this view is given by the fact that no proprietary charter of incorporation seems to have been contested.

The power of incorporation was even less definitely conferred upon the colonial governors. The nearest approach to an express delegation of this prerogative appears in a section which was inserted in substantially the same form in most of the commissions issued to royal governors after 1680. In the commission appointing Sir Edmund Andros governor of New England, Connecticut, Rhode Island, New York, and New Jersey (1688), this section reads:

> "And Wee do hereby give and grant unto you full power and authority to erect raise and build within our Territory and Dominion aforesaid, such and so many forts platformes, Castles, *cities*, *boroughs*, *towns*,[2] and fortifications, as you shall judge necessary; and the same or any of them to fortify . . . for the security & defence of our said territory; and the same again or any of them to demolish and dismantle as may be most convenient."[3]

And at least one royal governor, Seymour of Maryland (1708), relied definitely upon this section in upholding his right to erect a municipal corporation.[4]

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[1] Hazard, *State Papers*, i, 444. For corresponding clauses in other charters, see *ibid.*, i, 162 (New Albion), 329 (Maryland), and *N. C. Col. Recs.*, i, 22, 103. Cf. also E. B. Greene, *The Provincial Governor in the English Colonies of North America* (New York, 1898), 8–9, and H. L. Osgood, *The American Colonies in the Seventeenth Century* (New York, 1904–07), ii, 4–7.

[2] Italics are mine.

[3] *N. Y. Col. Recs.* (*Documents Relative to the Colonial History of the State of New York. . . .* Ed. by E. B. O'Callaghan, Albany, 1856–61), iii, 540. For similar clauses in other commissions, see *N. H. Province Papers* (*Documents relating to the Province of New Hampshire. . . .* Ed. by Nathaniel Bouton, Concord, etc., 1867–71), i, 439, ii, 6–7, 60, 309, 370–371; *N. Y. Col. Recs.*, iii, 377, 827; *N. J. Archives* (*Documents relating to the Colonial History of the State of New Jersey*, 1st Series. Ed. by W. A. Whitehead, F. W. Ricord, and W. Nelson, Newark, 1880–92), ii, 497, iii, 298, iv, 1, vi, 9, vii, 2–4, ix, 30, 194–195, 272, 368–372; *N. C. Col. Recs.*, vi, 529. Commonly the advice and consent of the council is stipulated. Note the resemblance to the clause in proprietary charters; see *supra*, 8–9.

[4] See *infra*, 13–14.

In general it is not evident that the governors had this or any other particular clause distinctly in mind, or indeed that they thought any specific authorization needful. For such a feeling there was ample basis. The royal governor was the direct representative, the general agent, of the crown in the colonies. By virtue of this office he was capable of exercising the royal prerogative within his jurisdiction, subject only to the limitations imposed by his commission and instructions;[1] and this part of the prerogative was among those upon which no limitations were placed. The general practice, therefore, among the royal governors was a somewhat free exercise of this power.

To this statement a few exceptions must be made. In at least one instance a royal governor questioned his competency to charter corporations. Lord Cornbury, governor of New York and New Jersey, refused in 1704 to issue a new charter to the rector and vestry of Trinity Church, New York City. "I told them," he wrote to the Lords of Trade, "I did not perceive that by my Commission I have any power to grant Charters of incorporation, and that I would not venture to do it without such a power."[2] In the same year a charter prepared for St. Mary's Church in Burlington, New Jersey, failed to receive his consent, presumably for the same reason.[3] In each of these cases, it will be observed, the proposed charter was for a private corporation. It does not appear that Cornbury was confronted with a request to charter a municipal corporation.[4] Inasmuch, however, as his New Jersey commission, and probably the New York one as well, contained the usual clause relating to "castles, cities, boroughs,"[5] he might have felt justified in granting charters for public corporations of this sort, despite the general terms in which he couched his refusal to the church "managers."

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[1] See Greene, *Provincial Governor*, 92–93; Edward Channing, *History of the United States*, ii, 245–248.

[2] Letter of June 30, 1704, in *N. Y. Col. Recs.*, iv, 1114–1115.

[3] *N. J. Arch.*, xiii, 396n; W. S. Perry, ed., *The History of the American Episcopal Church* . . . (Boston, 1885), i, 601.

[4] The instrument which is sometimes referred to as the "Cornbury charter" of New York City was merely a "patent" for some land on Nassau Island: *Documentary History of the State of New York*, ed. by E. B. O'Callaghan (Albany, 1849–51), iii, 425; *N. Y. Council Minutes*, x, 148 (*Calendar*, 217).

[5] *N. J. Arch.*, ii, 497. The New York commission is not accessible.

Cornbury's caution, however, won him no particular commendation from the Lords of Trade;[1] and neither his predecessors nor his successors scrupled to erect either public or private corporations,[2] without encountering interference from the crown on this account.

Another royal governor, Sir Francis Nicholson, may have been haunted by a similar uncertainty as to his right to incorporate. While governor of Virginia after the Revolution of 1688, he was active in the movement to establish a college in that colony. But he seems to have had no thought of issuing its charter of incorporation, and to have entered cordially into the plan to have "Commissary" Blair go to England to solicit a charter direct from the crown.[3] A little later (1696), as governor of Maryland (then temporarily under royal control), he looked to the assembly to incorporate "the Commissioners and Trustees for the Porte and Town of Annapolis;"[4] and in the same year he approved a "Petitionary Act" by which the assembly prayed the crown to erect into a corporation, with powers humbly suggested in the act, "the Rectors, Governors Trustees and Visitors of the ffreeschools of Maryland."[5] Again, when in 1722 he was governor of South Carolina, Nicholson had the colony agents in England instructed to obtain leave from the crown for the incorporation of Charles Town into a city; and, when impatient of delay in securing this authorization, he procured from the assembly the passage of an act granting corporate privileges.[6]

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[1] See letter in reply from Lords of Trade, Aug. 24, 1704: *N. Y. Col. Recs.*, iv, 1117–1118. The action does not appear to have been mentioned again.

[2] Numerous instances of New York corporations are given below, and all of them were chartered by royal governors, except Trinity Church, whose second charter, at Cornbury's recommendation, was procured from the assembly. Bellomont, Cornbury's immediate predecessor, protested against two particular charters, one of a public and the other of a private corporation, which his immediate predecessor had granted; but his action can hardly be interpreted as questioning the governor's right to incorporate; see *infra*, 53, 76. Cornbury's doubt was repeated in much the same form about 1766 in connection with a request for a charter for a Presbyterian church, but here the legal question was outweighed by the ecclesiastical one; see *infra*, 77.

[3] See *infra*, 45–46.

[4] *Archives of Maryland* . . . (Baltimore, 1893–1912), xix, 452, 498 f.

[5] *Ibid.*, 420–426. See *infra*, 72.

[6] See *infra*, 58–59.

There seems to be no direct evidence in Nicholson's case, however, that these actions were due to his uncertainty as to his power to grant charters; and it is not at all improbable that considerations of practical policy were responsible for them.[1]

Finally, Thomas Hutchinson, who was governor of Massachusetts just prior to the Revolution, inquired of the Lords of Trade in 1771 and 1772 whether he was not entirely competent to grant charters of incorporation without the intervention of the assembly, by virtue of his position as the crown representative. The question there at issue was merely whether the existing "Province Charter" abridged the prerogative in this particular. And on this point the solicitor of the Lords of Trade, Richard Jackson, remarked that in that colony

> "the Governor though appointed by His Majesty nevertheless derives his power immediately from the Charter, which in many respects qualifies the power usually intrusted to his Majesty's Governors in other Colonies." [2]

Besides these instances of skepticism on the part of the royal governors themselves in regard to this power, the colonists in a few instances contested the right of the governor to exercise it. The first of these, apparently, was in Maryland, in 1708. Seymour, the royal governor, had issued a new charter erecting Annapolis into a city. The assembly, which met not long after, unanimously resolved that the governor had no power "to grant the charter in Manner and fform as it is granted;" and the Annapolis delegates elected under the charter were excluded from the house. The governor indignantly denounced such "an Extrajudicial Way" of presuming "to construe her most Sacred Majesty's Royal Commission to me . . . ," and stated that he looked "on this Aukward Step as Derogatory to her Sacred Majesty's Royal Prerogative." The assembly protested that they intended no "disrespect to your Excellency or any desire to lessen the prerogative of the Crown or the power that her Majesty has invested your Excellency with;" but, observing that the power was not clearly expressed in the governor's commission, they prayed that he would "leave the Granting of Charters undetermined till Her Majestys pleasure therein be further known."

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[1] On Nicholson, see the sketch in the *Va. Mag. of Hist. and Biog.*, vii, 154 (1900).

[2] *Acts . . . of the Province of Massachusetts Bay . . .* 1692–1780 (Boston, 1892–96), v, 190–191; and see further *infra*, 27–29.

The governor forthwith dissolved this assembly. When another had been convened, it took up the question and inquired if the governor had received any special instructions in the matter. Seymour responded with heat that he was already well satisfied that he had ample authority from the crown "to erect cities and boroughs as well as castles and forts, and that the first are to be erected by privileges and grants from the crown, neither are boroughs seldom or ever walled and fortified." [1] Thereupon, after a conference between committees representing council and lower house, it was decided that with some modifications the charter would be acceptable. An act was accordingly passed which confirmed the charter with certain explanations and alterations which were desired by the assembly. Thus the incident was closed, the assembly virtually admitting the governor's legal right to grant the charter.[2]

About half a century after this Maryland dispute a similar objection was raised in Massachusetts. The General Court had refused the petition of certain gentlemen in the western part of the province for a charter for a new college in that section. When Governor Bernard was appealed to for a charter in the name of the crown without any act on the part of the assembly, he was about to accede to the request when the cry was raised that he had not the requisite power. The governor (according to his own account) insisted that he possessed the right to grant charters of incorporation, as the representative of the crown, but he did not choose to force the matter to an issue.[3] Hutchinson, Bernard's successor, did a few years later take the trouble to refer the question to the Lords of Trade, as we have seen, and in this case their solicitor upheld the objection raised by the colonists in view of the existence of the charter.[4]

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[1] Obviously he has reference to the clause quoted *supra*, 8.

[2] *Md. Arch.*, xxvii, 213, 216, 191–193, 229–230, 232–234, 272–273, 275–276.

[3] Letter of Bernard to Lords of Trade, April 12, 1762: *Mass. Prov. Acts*, iv, 562–563; Josiah Quincy, *History of Harvard University* (Boston, 1860), ii, 105–112, 464–479.

[4] See *supra*, 13, and *infra*, 27–29.

In the royal colonies in general, however, where there were no colony charters to complicate matters, no such objection arose. For the most part the royal governors were troubled by no doubts as to their competency to charter corporations; in the main the colonists acquiesced in this as the normal procedure; and the official correspondence of the English authorities affords no indication that they took exception to this view.[1] It was by charters thus granted, usually with the consent of the provincial councils, running in the name of the crown,[2] and sealed with the provincial seals, that most of the colonial corporations were erected.

The right of proprietary governors to incorporate was presumably similar to that of the royal governors, except as the proprietary patents from the crown may have contained limitations on the proprietary's power at this point. In the cases of North Carolina and New Jersey, as will be mentioned below,[3] some limitation on the right of the governor to incorporate was placed by grants to the colonists and their assemblies. In New Jersey, however, this limitation, if indeed it was ever effective,[4] was soon removed at least as far as East Jersey was concerned; for in 1674 Sir George Carteret sent out an order that henceforth "the Granting & confirming of Corporations shall bee in the power of the Governor & his Councill."[5] Elsewhere there seems to have been neither specific authorization nor express limitation.

In the charter colonies, finally, the governor possessed no independent powers. In Rhode Island there appear a few instances in which, as in England, the executive issued the actual charters of incorporation at the bidding of the legislature. In general, however, in these colonies the incorporating agency was the "Governor and Company," which acted simply by the regular passage of an act. And in any case the authority was to be traced through the charter granted by the crown.

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[1] No exhaustive study of the records has been made as a basis of this assertion, but it seems highly probable that evidence to the contrary would be prominent if it existed at all.

[2] For this reason the charters thus granted are frequently termed "royal charters." They should be distinguished, however, from those which were granted in England, directly by the crown; for the crown authorities in England had even less supervision over the charters granted by the colonial governors than they had over colonial acts of incorporation, which at least were subject to review in England.

[3] See *infra*, 16.

[4] See *infra*, 67.

[5] *N. J. Arch.*, i, 174.

The right of colonial legislatures to grant corporate privileges was expressly bestowed, apparently, only in the "Concessions" which the proprietors of Carolina and New Jersey issued to prospective settlers in 1665. In these cases the assembly was specifically empowered

> "to erect raise and build within the said Province or any part thereof such and soe many fforts ffortresses Castles Citties, Corporat'ons Burroughs, Towns, Villages, and other places of Strength and defence, and them or any of them to incorporate with such Charters and Priviledges as to them shall seem good and the Grant made unto us will permitt. . . ."[1]

Like other acts of the assemblies, such action was of course subject to approval by the governor and council and to review by the proprietary. A slight limitation on this power appears in the "Fundamental Constitutions" which were promulgated for the Carolina colony in 1669, wherein an article stipulates:

> "All towns incorporate shall be governed by a Mayor, twelve Aldermen, and twentyfour of the common Council. The said common council shall be chosen by the present householders of the said town; the Aldermen shall be chosen out of the common council, and the mayor out of the aldermen, by the palatine's court."[2]

Obviously the section quoted has reference only to municipal corporations. Even this limited power was soon curtailed, and then withdrawn, in New Jersey. In 1672 the Lords Proprietors sent out a "Declaration of the True Intent and Meaning" of the Concessions, — a document which was in part interpretative and in part amendatory. Here the order is given that "no more Corporations be confirm'd but by or with the special order of us the LORDS PROPRIETORS."[3] And two years later, after the temporary reoccupation by the Dutch had ended and Lord Berkeley had sold his share in the province to Fenwick and Byllynge, Carteret issued a new "Declaration" which, as we have seen, withdrew from the assembly all powers relative to incorporation so far as his jurisdiction extended.[1] The various "fundamental constitutions" which were issued by the later proprietaries contain no mention of this power. In fact it is of interest to observe that those issued in 1683 by the successors to Carteret's title to East Jersey[2] contain almost verbatim the section in the Concessions from which the statement above (p. 16) has been quoted, *minus* the part specifically relating to corporations.[3]

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[1] *N. J. Arch.*, i, 33; *N. C. Col. Recs.*, i, 83. The Duke of York's leases and releases to the New Jersey proprietors do not mention this right: *N. J. Arch.*, i, 8–14. Compare proprietary charters and commissions to royal governors, quoted *supra*, 9, 10.

[2] *N. C. Col. Recs.*, i, 202. These were formally abrogated in 1693, and were never fully in force.

[3] *N. J. Arch.*, i, 100. Cf. Penn to the Provincial Council, Jan. 2, 1691–92: "And ffor all New Towns or Charters or Counties &c Nothing to be done but by my Knowledge and Consent. . . ." *Pa. Mag. of Hist. and Biog.*, xxxiii, 425.

Except in these cases, therefore, the colonial assemblies which undertook to create corporations were forced to rely upon an implied power so to act; and the question whether this implication was justified remained somewhat unsettled throughout nearly the entire colonial period.

The power, even though unexpressed, was least dubious in the proprietary and royal colonies. Here the acts of the assemblies could not become laws until approved by the representatives of the proprietary or the crown, and they were further subject to annulment by these ultimate authorities. Hence it might well be argued that the essential consent of the final authority was as truly obtained to charters originally granted on the initiative of the popular representatives as to those issued directly by the governors.

Certainly the passage of acts of incorporation was sometimes looked upon with favor in such colonies by governors, colonists, and even crown ministers. Thus, for example, Cornbury in New York and Nicholson in Maryland and South Carolina — two governors who were chary of exercising directly this part of the royal prerogative — both recommended and sanctioned acts of incorporation passed by the assemblies.[4] In Pennsylvania this was the common method, at least after 1740, and when in 1751 the proprietary offered to grant a charter to the new hospital for which subscriptions were being obtained, his proffer was declined on the ground that the assembly charter was preferred.[1] And when Increase Mather was in England after the Revolution of 1688, the "great ministers of state" with whom he spoke countered his suggestion that a "particular charter" be granted to Harvard College by the crown: as he reported,

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[1] *N. J. Arch.*, i, 174. See *supra*, 15.

[2] These were never in force: E. P. Tanner, *The Province of New Jersey, 1664–1738* (New York, 1908), 88–90.

[3] *N. J. Arch.*, i, 399–400.

[4] See *infra*, 58–59, 70, 72, 76–77.

> "Answer was made that it should be so if I desired it, but that a better way would be for the General Court of the Massachusetts Colony by a law to incorporate their College, and to make it an University, with as ample privileges as they should think necessary."[2]

The expediency of this method of incorporation was occasionally, indeed, called in question. Governor Hutchinson of Massachusetts thus wrote to the Lords of Trade in 1772 concerning the erection of corporations:[3]

> "If there is nothing in the Constitution [i.e., the Province charter] to abridge or restrain the Prerogative which is in the Crown of creating Corporations it may be more eligible to make them in that way than by a Legislative Act. The frequent passing such Legislative Acts will strengthen the exception that is taken to this part of the Prerogative."

And Solicitor Jackson, to whom the Lords of Trade referred the question submitted by Hutchinson, admitted that the Massachusetts acts directly under consideration were

> "similar to some that Your Lordships and Your Predecessors have objected to in other Colonies because they were passed for a purpose which the power of the Crown was by itself competent to effect. . . ."[3]

The Board of Trade had earlier once declared that "Incorporation should arise from the bounty of the Crown by letters patent, rather than by act of Assembly."[4] Yet they repeatedly allowed acts of incorporation. Indeed, of the many that must have been passed upon, only five seem to have been disallowed.

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[1] See *infra*, 83.

[2] Quoted by A. M. Davis (*Corps. in Col.*, 206) from "Brief Account concerning Several of the Agents of New England, their Negotiation at the Court of England, with some Remarks, etc. [Increase Mather.] London, 1691, p. 21."

[3] *Mass. Prov. Acts*, v, 190–191.

[4] Quoted, apparently from a letter of Aug. 2, 1750, in E. B. Russell, *The Review of American Colonial Legislation by the King in Council* (New York, 1915), 178.

Three of these — two would-be charters for Harvard College, of 1692 and 1697, and a Maryland law relating to free schools — were rejected because "no power is reserved to his Ma^{ty} to appoint visitors for the better regulating the said Colledge" or schools.[1] The others, for Charles City, South Carolina (1722), and an Indian missionary society in New England (1762), were disallowed on grounds of the expediency of the incorporation.[2]

Precautions were sometimes taken in the colonies to avoid the accusation of lack of deference to the royal prerogative. Thus in South Carolina, after 1730, most of the acts of incorporation are cast in the form of memorials to the crown, "praying his most sacred Majesty that it may be enacted," and so forth; commonly with the addition of a clause postponing the operation of the act until the royal approval shall have been communicated to the governor.[3] The Maryland "petitionary act" of 1696, relative to the establishment of a corporate board of visitors for the proposed free schools in that colony, is couched in similar language.[4] It is not unlikely that this form was adopted because the governors considered applicable to incorporations a certain section frequently embodied in the governor's instructions, which provided that no bills of an unusual or extraordinary character by which the royal prerogative might be prejudiced should be permitted to go into effect unless a draft of the bill had previously received the royal approval, or unless the operation of at least the extraordinary provisions was suspended till the act had passed the royal scrutiny.[5] This practice, however, was by no means general in the royal colonies, and it was not uniformly followed in South Carolina.[6]

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[1] Russell, *Review of Amer. Col. Legis.*, 177; *Mass. Prov. Acts*, i, 38–39, 288–290; and *infra*, 77, 84–85.

[2] See *infra*, 58–59, 80–81; and Russell, *Review of Amer. Col. Legis.*, 178.

[3] See, e. g., *S. C. Stats. at Large*, iii, 431–436, viii, 106–114. Cf. *N. C. Col. Recs.*, ix, 818, for Governor Martin's postponement of granting a new charter requested by the Wilmington freeholders, in 1774, till the previous sanction of the crown officials could be received.

[4] See *supra*, 12.

[5] The South Carolina instructions are not available for the time of the passage of these acts. The clause appears at least as early as 1708 and was probably generally included thereafter. See, e. g., the commission of Lovelace in New Jersey: *N. J. Arch.*, iii, 320.

[6] Cf. *N. Y. Col. Laws*, i, 564–569 (Trinity Church), and Edward McCrady, *The*

On the whole, therefore, it may be concluded that in the royal and proprietary colonies the legal right of the assemblies to incorporate "under the negative of the governor" and subject to disallowance by the higher powers was recognized. This method of incorporation was the common one in Massachusetts (under the province charter), Pennsylvania, Maryland, and South Carolina; and in a few instances it was resorted to in other colonies of these types.

In the "charter colonies" — Massachusetts till 1684, Connecticut, and Rhode Island — the situation was somewhat different. These colonies were themselves corporations existing by virtue of crown charters.[1] Their powers of legislation were technically based, at bottom, upon their right and power as corporations to pass by-laws for their better government. Now it was an established principle of English law that "one corporation cannot make another corporation." This is the unqualified declaration that appears in the first English book devoted to the law of corporations, which was published in 1659;[2] and it was repeated in two decisions concerning the City of London, rendered about 1700, which were probably known or cited in the colonies.[3] In presuming to pass acts of incorporation, therefore, these colonies were acting in direct contravention of this principle.

In view of this fact, and the eagerness with which unwarranted acts by the governing bodies of these colonies were seized upon by their enemies to justify the cancellation of their charters, it is not surprising that they acted cautiously in the matter of incorporation. It is worthy of note that the only corporations chartered in Massachusetts under the colony charter were incorporated during the English Civil War.[4] It may also be sig-

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History of South Carolina under the Royal Government (New York, 1899), 42–43 (Charles City).

[1] See *infra*, 39–41.

[2] Shepheard, *Of Corporations, Fraternities and Guilds*, 9, 112.

[3] *Robinson* v. *Groscot*, Comberbach 372 (1696), and *Cuddon* v. *Eastwick*, 1 Salkeld 192 (1704).

[4] In addition to Harvard College there was authorized in 1652 a corporation for providing a water supply on Conduit Street, Boston, which because of the lack of a corporate name may not have been a legal corporation: cf. *infra*, 89. At various times, beginning as early as this, efforts were made to secure a municipal

nificant that the act of 1650, by which Harvard College was incorporated, was not included in the Book of the General Laws and Liberties of the colony, published in 1660, nor in the revised edition of 1672; while the original act of 1642, which contained no incorporating clauses and which was in fact superseded by the act of 1650, was included in each collection.[1] It is in Connecticut, however, that the necessity for caution was most expressly recognized, notably in the case of Yale College and again in the case of a trading company.

Yale College was founded at a time when the charter of Harvard College was in an extremely uncertain position. It was generally assumed that this charter had become void when the colony charter, by the authority of which it had been granted, was annulled, even assuming that authority to have been originally adequate.[2] Its officers were therefore seeking for a new charter, and had not yet succeeded in drafting one to meet the approval of the General Court, the governor, and the English authorities; nor had the suggestion that a charter be obtained in England met with favor.[3] The promoters of the new institution thought it wiser, therefore, not to seek an act of incorporation. Their dilemma is well expressed in a letter of Oct. 6, 1701, from Judge Samuel Sewall and Isaac Addington of Boston, who had been appointed to draft the authorizing act. Thus they wrote to the trustees, when enclosing a few "Hints" for the act:[4]

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charter for Boston, without success; but the records do not indicate that the doubt of power to grant the charter prevented the passage of the act desired. Josiah Quincy, *Municipal History . . . of Boston . . .* (Boston, 1852), 16–18.

[1] A. M. Davis, *Corps. in Col.*, 199. Judge S. E. Baldwin states (*Private Corporations*, 266–267 and elsewhere) that the grant of the Harvard College charter was a ground for attack upon the colony charter; but I have been unable to find evidence to support his statement.

[2] Quincy, *Hist. of Harvard Univ.*, i, 58, 276, and *passim;* A. M. Davis, *Corps. in Col.*, 203–210. See also the letter of Governor Cranfield of New Hampshire to the English authorities, June 19, 1683, quoted in Palfrey's *History of New England* (Boston, 1859–75), iii, 412 n. Acting on a similar assumption, many of the colonial corporations which had been chartered by royal governors sought, after the Revolution, for acts confirming old charters or granting new ones.

[3] Quincy, *Harvard Univ.*, i, 81–109, 151, 158–159; and cf. *supra*, 18.

[4] *Letter Book of Samuel Sewall* (*Mass. Hist. Soc. Colls.*, 6th Series, Boston, 1886–88), i, 263–264; Forrest Morgan, *Connecticut as a Colony and as a State . . .* (Hartford, 1904), i, 427–429.

> "There is another cause which makes us slow and feeble in our Progress; Not knowing what to doe for fear of overdoing. . . . We on purpose, gave the Academie as low a Name as we could that it might better stand in wind and wether; nor daring to incorporate it, lest it should be served with a Writt of Quo-Warranto."

Nor would it have been only the college which might have been served with such a writ, if the act had purported to create a corporation, but the colony as well. Accordingly the so-called first charter of Yale College merely authorized certain "trustees, partners, or undertakers" to take the necessary steps to establish and manage "a collegiate school."[1] Later acts relating to the affairs of the "school" were frequent, but nearly half a century elapsed before it was formally incorporated.[2]

The case of the trading company is of special interest in that it concerns a business enterprise. In October, 1729, the assembly convened at New Haven was memorialized by "the New London Company for Trade," asking for a "patent" allowing the petitioners "to be a company" according to the tenor of certain articles and covenants recently agreed upon. They asked besides for power to issue bills of credit, "as we may see occasion at any time for promoting or maintaining our trade," and that forgeries of these should be punished as the law had prescribed for those of the colony itself. But the "patent" was not granted.[3]

In 1732 a more conservative petition was presented by the same group. This represented that

> "for the promoting and carrying on Trade and Commerce to Great Britain and His Majesties Islands and Plantations in America, and other of His Majesties Dominions, and for encouraging the Fishery, &c^{a}, as well for the common good as their own private interests, . . . they have agreed and united themselves together to be a society, and have one common stock; also observing that, for want of authority to act and proceed in the business aforesaid, by votes, &c., as societies do, they labor under great disadvantages in carrying on and promoting the business and ends aforesaid."

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[1] *The Public Records of the Colony of Connecticut. . . .* Ed. by J. H. Trumbull and C. J. Hoadley (Hartford, 1850–90), iv, 363–365: October, 1701.

[2] In 1745. See *infra*, 85.

[3] *Connecticut MSS. Archives* (*Trade and Maritime Affairs*), i, No. 161: quoted in A. M. Davis, *Currency and Banking in the Province of Massachusetts Bay*, part ii, *Banking* (New York, 1901), 105. This company is best discussed in this chapter by Davis.

They therefore prayed for the "countenance" of the assembly, "in putting them into a politick capacity as a society."[1] This petition was favorably received. An act was passed which constituted the petitioners "one society in fact and in name, by the name of the New London Society united for Trade and Commerce," and gave to them "and their successors" power to have continual succession and to be "persons capable by law to sue or be sued, by their name aforesaid, as other societies are by the laws of this government."[2] The officers, to be chosen annually, were to consist of a moderator, a clerk, and a treasurer. The moderator was to be "endowed and vested with authority as other moderators in other societies by law are." And a committee of three was to be appointed "for ordering the prudentials of the society, and for the putting in execution the orders, agreements and rules of the society, and carrying on and promoting the affairs and interests thereof."[3]

It would seem that the society thus authorized was to all intents and purposes a corporation, unless the assembly positively lacked the right to grant corporate privileges. But the elaborate precautions taken to disguise it appear in the obvious endeavor to make it conform to the structure and follow the principles of the contemporary ecclesiastical societies, and in the utter absence of all such terms as "incorporate," "corporation," "body corporate and politic," "charter," "patent," and even "company."

The later history of this "Society" throws still further light on the attitude of the Connecticut government. Trading operations may have been begun,[4] but funds were raised in a way not endorsed by the act. The members paid in their subscriptions in mortgages,[5] and upon these as security an issue of £30,000 of bills of credit was provided for, about half this amount actually printed, and a large number put in circulation.[6] Thus the company soon virtually established itself as a "land bank," — a favorite scheme of the period.[1] The governor, however, regarded this action as an abuse of the privileges granted and summoned the company to appear before the assembly at a special session which he called for February, 1733.[2] There the society were desired

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[1] Quoted from the preamble of the act: *Conn. Col. Recs.*, vii, 390–391.

[2] Cf. act of May, 1705: *ibid.*, iv, 500-501.

[3] *Ibid.*, vii, 390–392.

[4] F. M. Caulkins, *History of New London . . .* (New London, 1852), 243.

[5] See proceedings for dissolution: *Conn. Col. Recs.*, vii, 421–422.

[6] *Talcott Papers* (Hartford, 1892, 1896), i, 269–270; A. M. Davis, *Mass. Bay Banking*, 112, 118.

> "to shew by what authority they had emitted some thousands of pounds, in like manner with the bills of publick credit on this and the neighboring Provinces, and to shew cause why they should not refund to the possessors of them according to the face of the said bills in a proper currency, and why they should not be amerced for their mismanagement, and cease to be a society."[3]

The society pleaded that the assembly had no jurisdiction;[3] that the bills emitted were merely in the nature of bills of exchange, which they had a right to issue;[3] and further claimed "that they were a fraternity and not dissolvable."[4] Nevertheless the assembly resolved that the society had forfeited its privileges and repealed the act which had granted them.[5]

At the regular session of the assembly the following May (1733) the members of the now legally defunct society endeavored to obtain an act which should constitute them a company with explicit power to issue bills of credit. The assembly thereupon took into consideration the question whether it possessed the power "to make a company or society of merchants," and after due deliberation resolved,[6]

> "That although a corporation [such as the Governor and Company of Connecticut] may make a fraternity for the management of trades, arts, mysteries, endowed with authority to regulate themselves in the management thereof:[7] yet (inasmuch as all companies of merchants are made at home

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[1] Cf. A. M. Davis, *Mass. Bay Banking*, *passim*, and *infra*, 90–91 (New Jersey scheme, 1740).

[2] *Talcott Papers*, i, 268–270.

[3] *Conn. Col. Recs.*, vii, 420–421. Note the judicial character of the proceedings.

[4] *Conn. MSS. Arch.* (*Trade and Maritime Affairs*), i, No. 168: quoted by A. M. Davis (*Mass. Bay Banking*, 108 n).

[5] *Conn. Col. Recs.*, vii, 421–422.

[6] *Ibid.*, vii, 449.

[7] See *Robinson* v. *Groscot*, Comberbach 372 (1696); *Cuddon* v. *Eastwick*, 1 Salkeld 192 (1704). Massachusetts had already done this: *Mass. Col. Recs.* (*Records of the Governor and Company of the Massachusetts Bay.* . . . Ed. by N. B. Shurtleff, Boston, 1853–54), iii, 132–133, 135 (1648).

> by letters patents from the King, and we know not of one single instance of any government in the plantations doing such a thing,) that it is, at least, very doubtful, whether we have authority to make such a society; and hazardous, therefore, for this government to presume upon it."

And the new charter was refused, not least, however, as it was then resolved, because such acts as it contemplated would be contrary to the "peace and health of the colony."

Connecticut did not again authorize such a company or society of merchants until long after the Revolution. It was not many years, however, before her assembly became bold enough to pass an undisguised act of incorporation in behalf of Yale College (1745). Yet in May, 1758, the governor and council negatived the bill passed by the lower house on petition of Eleazar Wheelock, for incorporating the Indian School so dear to his heart, "upon the ground that their action would not be valid if ratified in England, *beyond this Colony*, and that a corporation within a corporation might be troublesome as Yale College had sometimes been." Six years later a like appeal to the same colony again proved unavailing.[1] There were, however, a number of other corporations similarly created both in Connecticut and in the other charter colony — Rhode Island.[2] Nor was there any effort, apparently, to attack the validity of such charters or to undermine the colony charters because of the action. In the latter part of the colonial period, therefore, the power of the colonial assemblies to incorporate was at least acquiesced in not only in the royal colonies, but in the charter colonies as well.[3]

This acquiescence by the royal authorities is especially significant in view of an act of 1741 by which Parliament extended to the colonies the operation of the principal provisions of the "Bubble Act" of 1720.[4] This act forbade

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[1] John M. Shirley, *The Dartmouth College Causes, and the Supreme Court of the United States* (Chicago, 1895), 22–23. In the latter instance the petitioners desired permission to locate anywhere. For trouble with Yale College, see Benjamin Trumbull, *A Complete History of Connecticut* . . . (New Haven, 1818), ii, chap. 12.

[2] See *infra*, 78–79, 83, 85, 88–90, 100.

[3] The growing strength of the colonies and the growing complexity of England's own problems probably help to account for this acquiescence.

[4] *Statutes at Large*, 14 Geo. II, c. 37. Cf. act of 1720: *ibid.*, 6 Geo. I, c. 18, esp. sects. xviii–xxviii. Cf. also A. M. Davis, "Provincial Banks, Land and Silver,"

"particularly the acting, or presuming to act, as a Corporate Body or Bodies, the raising or pretending to raise transferrable Stock or Stocks, the transferring or pretending to transfer or assign any Share or Shares in such Stock or Stocks without legal authority, either by Act of Parliament or by any Charter from the Crown, to warrant such acting as a Body Corporate, or to raise such transferrable Stock or Stocks, or to transfer Shares therein. . . ."

The particular occasion for the passage of this extending act was the floating in 1740 of the famous "Land Bank or Manufactory Scheme" in Massachusetts;[1] and the act was manifestly aimed primarily to suppress or to prevent the formation of joint stock enterprises of this general character which did not have the sanction of crown or Parliament. The wording of the act, however, is far more comprehensive. "Acting . . . as a corporate body . . . without legal authority . . . by act of Parliament or by . . . charter from the crown" was to be penalized. Now in the colonies there were hardly any corporations which had been authorized by Parliament;[2] only a very few enjoyed charters direct from the crown;[3] and of the other colonial corporations only those chartered by royal governors, in the name of the crown (including perhaps the majority of the whole number, but by no means all), could, strictly speaking, be said to be authorized by "charter from the crown." Especially in the charter colonies, therefore, where acts of the assemblies were not subject to approval by a royal agent or to review by royal authorities, and where no clear grant of power to incorporate could be shown in the colony charter, it would seem to have been potentially a simple matter to subject to the penalties of this act the societies or companies whose only authorization or incorporation had been secured from these legislatures. However, the act was never invoked against any corporation formally created by any colonial assembly. It is probable that there was no thought of affecting colonial methods of incorporation when the act was extended to America; the clause, "either by Act of Parliament or by any charter from the Crown," is copied verbatim from the act of 1720, in which its limiting significance

in *Col. Soc. of Mass. Pubs.*, iii (Boston, 1900), 27–28, and *ibid.*, *Mass. Bay Banking*, 152, 160–163.

[1] A. M. Davis, *Mass. Bay Banking*, chap. 7.

[2] See *infra*, 38.

[3] See *infra*, 32, 34, 35, 38, 39–41, 46.

was practically *nil*, inasmuch as these were the only two methods by which corporate powers were regularly bestowed in England. Moreover, the act was not utilized to attack unincorporated joint stock companies, several of which appeared in America before the close of the colonial period.[1] The act may possibly have hindered the development of colonial joint stock companies, corporate or unincorporate. Certainly resort might have been had to it if companies distinctly objectionable to the royal authorities had been formed. But its actual significance may easily be exaggerated. Virtually it seems to have become a dead letter in the colonies, as the act of 1720 became a dead letter in England. There is no evidence that it was of any consequence in the colonies after 1750.

A few more words may well be said concerning the opinions of Solicitor Richard Jackson rendered to the Lords of Trade on the questions submitted by Governor Hutchinson, to which brief reference has already been made.[2] These opinions are significant as being perhaps the only instances in which the right of a colonial legislature to incorporate, and the corresponding powers of a royal governor, were definitely passed upon by a crown official.

The Massachusetts General Court, in 1771, passed an act to incorporate a marine society at Salem, similar to one established at Boston and incorporated in 1754.[3] After the manner of Parliament the legislature prescribed the terms of incorporation and empowered the governor to issue the formal charter. Hutchinson refused assent to the act, because he believed (probably erroneously [4]) that the disallowance of an act of 1762 incorporating a missionary society in New England had been due in part to

> "the tendency of such an act to call in question the power of the Crown by the Governor to grant Charters of Incorporation, without the aid of the General Assembly."

He therefore inquired of the Lords of Trade his rights in the matter.[5] No answer being forthcoming, Hutchinson gave his assent to this act when it was repassed in May, 1772, and likewise to a similar act incorporating the Overseers of the Poor of Boston; but he did not issue the formal charters and wrote again to the Lords of Trade that he would withhold them till he knew "the King's Pleasure" on the question of incorporating in this fashion.[1]

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[1] See *infra*, 91–98.

[2] See *supra*, 13, 18.

[3] See *infra*, 101.

[4] See *supra*, 18, and *infra*, 80–81.

[5] Letter of May, 1771: *Mass. Prov. Acts*, v, 190.

On July 14, 1772, Mr. Jackson reported his opinion that both acts were "certainly proper legislative Acts," and strongly intimated that the charter limitations in Massachusetts were in that colony a legal bar to incorporation by the governor without the support of an act of assembly.[2]

Nine months later, apparently not wholly satisfied with this opinion, the Lords of Trade requested Jackson's opinion on the question

> "whether by the Principles and provisions of the Charter of the Province of Massachusetts Bay, the power of granting Patents of Incorporation is or is not thereby vested in the General Court."[3]

To this Jackson answered:

> "I have reconsidered the said Acts and have perused the said Charter and am of opinion that the power to incorporate, not by Patent but by Act of Legislature is vested in the General Court, under the negative of the Governor by the Principles and Provisions of the said Charter, inasmuch as the said Charter does not only grant full powers of Legislature to the General Court, of which the power to incorporate is a part, but has obviously in view the old Charter which it recites and under which this power was exercised frequently, for the constituting of Townships as it was evident it must still continue to be by somebody under the new one."[4]

Whether this opinion would have been upheld in an English court may be doubted: for, in the first place, as will be pointed out below, the erection of townships could hardly be regarded as a precedent for the creation of true corporations;[5] and, in the second place, it is by no means clear that the power to incorporate would have been included among general powers of legislation, — for even in England Parliament exercised the right only infrequently and the crown lawyers repeatedly pointed out that the exercise of certain powers by Parliament implied nothing as to colonial powers of legislation.[1] Jackson's opinion may possibly have been the more favorable to the colonists because he had lately served (1760–71) very acceptably as the English agent of Connecticut, one of whose corporations — Yale College — had, in the interim between the two opinions, conferred on him the degree of LL.D.[2] But whether or not this pronouncement, or the grounds upon which it was expressly based, is to be regarded as legally correct, its existence without a counter-opinion is indicative of the liberal way in which the right of incorporation was regarded as belonging to the colonial legislatures.

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[1] Letter of May, 1772: *Mass. Prov. Acts*, v, 190–191.

[2] *Ibid.*, v, 191: quoted *supra*, 13.

[3] *Mass. Prov. Acts*, v, 191.

[4] Opinion dated April 13, 1774: *ibid.*, v, 191.

[5] See *infra*, 61–63.

It would appear, then, that not only Parliament and the crown, but colonial proprietors, governors, and legislatures as well, possessed, within limits which were not always clear but which were for the most part wide, the right to erect corporations for operation in America. To what extent was this right exercised?

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[1] George Chalmers, *Opinions of Eminent Lawyers on Various Points of English Jurisprudence . . .* (London, 1814), i, 263–264, 296.

[2] *Conn. Col. Recs.*, xi, 357, xiii, 518; S. E. Baldwin, "American Business Corporations before 1789," in *Amer. Hist. Assoc. Report*, 1902, i, 261.

CHAPTER II

COLONIAL CORPORATIONS CHARTERED IN ENGLAND

THE corporations chartered for activity in the American colonies were created, for the most part, by charters from authorities in the colonies. On the other hand there were several corporations whose primary concern was with this section of the New World that were chartered in England, nearly all by the crown. About half of these maintained the seat of the corporation in England and remained distinctly English in complexion and control; among these are to be counted the earliest colonization companies and several famous missionary societies. The other half were from the outset or quickly became distinctly American in control and in the location of their governing bodies; of these the most noteworthy were the "companies" whose destinies were linked with those of the colonies of Massachusetts, Rhode Island, and Connecticut. Inasmuch as both of these classes of corporations were English at least in charter, and especially since many of them were concerned with the founding of colonies, they may well be considered before those which developed entirely in the colonies and which were throughout definitely American in origin, charter, control, and location.

The first of these English corporations to be formed primarily for an American enterprise was erected in January, 1587, by an "indenture of graunt" given by Sir Walter Raleigh, now by royal patent "chiefe gouvernour of . . . Virginia," to John White and twelve others, "of London, Gentlemen."[1] These were constituted a body corporate with the title of the *Gouernour and Assistants of the Citie of Ralegh in Virginia;*[2] and to them was granted "free libertie to carrie with them into the late discouered barbarous lande, and countrie, called . . . *Virginia* . . . such, and so many of her Maiesties Subiects, as shall willingly accompany them, . . . and also diuers and sundrie other prerogatiues, iurisdictions, royalties and preheminencies. . . ."[1] These were then the leaders of the expedition which set out for Virginia in May, 1587.[2]

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[1] Hazard, *State Papers*, i, 42–43.

[2] Richard Hakluyt, *The Principal Navigations, Voyages, Traffiques, and Discoveries of the English Nation*, ed. by Edmund Goldsmid (Edinburgh, 1885–90), xiii, 358.

Two years later Raleigh made a new indenture with certain of the original associates (most of whom were still "lying in Virginia") and nineteen "merchants of London" "aduenturers . . . purposing and intending to be made free of the corporation, companie and societie lately made by the sayd Sir Walter Raleigh, in the Citie of Raleigh, intended to be erected and builded in . . . *Virginia*. . . ." These agreed to "adventure divers and sundry sums of money, merchandises, and shiping, munition, victual, and other commodities into the said forraine and remote country of . . . *Virginia*. . . ." In consideration whereof Raleigh assigned to the combined company privileges for seven years of freedom of trade to and from the colony and freedom from rents and taxes; and as further evidence of his "zeale of planting the christian Religion, in . . . the sayde barbarous and heathen countries, and for . . . the common vtilitie and profite of the inhabitants therein, as also for the incouragement of the sayde" adventurers, he liberally gave the company the sum of £100 to use as they should see fit. Furthermore, Raleigh covenanted for himself,

> "his heyres and assignes vpon sufficient and reasonable request made to him by the persons aforesayd, or any of them, their heires or assignes, . . . at any time, or times hereafter, to ratifie, affirme, and approue by his deede, or deedes, or by any other conueiance, or conueiances in lawe, the corporation heretofore made, by him the sayd Sir Walter Raleigh, consisting of the Gouernor, and twelve assistance as by his sayd indenture made to John White and others, more plainely doth appeare, for the more perfect, and better assurance, and sure making of the sayd corporation, if any imperfection, and want in law thereof bee. And further that hee the sayde Sir Walter Raleigh, his heyres, and assignes, shall, and will, as much as in him or them lieth, procure, and indeuor to obtaine, the Queene's maiesties letters patents, for ratification, approbation, and more sure confirmation, of the sayde

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[1] Hazard, *State Papers*, i, 42–43.

[2] See list of members of this expedition in *ibid.*, i, 40–41.

corporation, and societie, with al prerogatiues, commodities, iurisdictions, royalties, priuiledges, and preheminences, whatsoeuer graunted and conueied by her maiestie to the saide Sir Walter Raleigh. . . ."[1]

It would appear from this document that the corporation was a joint stock company or business corporation rather than the municipal corporation which the name suggests.[2] But what its development might have been cannot be surmised, for it probably did not survive Governor White's return from Virginia in 1591 with the news that the colonists had disappeared.

The Raleigh corporation had better known successors. The first of these was known as the Virginia or London Company, which, though twice reorganized on a new basis and with somewhat different membership, may be regarded as a single company.[3] This was first constituted by a grant from James I in 1606, but by its first "charter" no corporate privileges seem to have been given.[4] Charters of 1609 and 1612, however, formally confer upon the grantees the privileges of a corporation, with the title of *The Treasurer and Company of Adventurers and Planters of the City of London, for the first Colony in Virginia.*[5] This company was frankly a business corporation. It was organized on the model of the East India Company. It attracted over a hundred of the same shareholders, and prominent business men were leaders in both.[6] Business motives were dominant; as

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[1] Hazard, *State Papers*, i, 42–45. Apparently the only evidence of this corporation now extant is the paragraph in Hakluyt's *Voyages* and the indenture of 1589, printed by Hakluyt (ed. 1589, p. 815) and reprinted by Hazard.

[2] Cf. W. R. Scott, *The Constitution and Finance of English, Scottish and Irish Joint Stock Companies to 1720* (Cambridge, Eng., 1910–12), ii, 244–245, *contra*. Different writers have had various interpretations of these documents.

[3] See esp. the account in Scott, *Joint Stock Cos.*, ii, 246–258, 266–289; Alexander Brown, *The First Republic in America* (New York, 1898), and documents in Alexander Brown, *The Genesis of the United States* (Boston, 1890); Channing, *Hist. of the U. S.*, i, 157–226; Osgood, *Amer. Cols. in the Seventeenth Century*, i, 23–97; *Mag. of Amer. Hist.*, xxix, 371; "Discourse of the Old Company," 1625, urging a new charter, in *Va. Mag. of Hist. and Biog.*, i, 155–167, 287–309 (1893–94); and L. D. Scisco, "The Plantation Type of Colony," in *Amer. Hist. Rev.*, viii, 260–270 (1903).

[4] Hazard, *State Papers*, i, 50–58.

[5] *Ibid.*, i, 58–81, esp. 64.

[6] Thomas Smythe, Richard Hakluyt, and others of Raleigh's corporation were members. Smythe was at the same time governor of the Muscovy and East India companies, treasurer of the Virginia Company, and a member of the Levant Company. Cheyney, *English Conditions Surrounding the Settlement in Va.*, 514.

Crashaw lamented in a sermon to the company in 1610: "Tell them of getting XX. in the C. [20 per cent]. Oh how they bite at it, oh how it stirres them? But tell them of planting a Church, of converting 10.000. souls to God, they are senseless as stones, they stirre no more then if men spoke of toies and trifles."[1] The business motives were indeed necessary to raise the capital requisite to plant the colonies, though religious motives were also appealed to in raising funds: "the number of investors large and small rose to thousands; general collections were taken up and lotteries carried on for its expenses."[2]

The company was active for a time. It sent out numerous expeditions and considerable supplies and made strenuous efforts to develop the country agriculturally, industrially, and commercially. Especially energetic were the efforts to develop the tobacco cultivation and on this basis to secure a monopoly of the tobacco trade in England. Incidentally efforts were made to keep the colonists in good spirits, and subsidiary joint stock companies were formed, not alone for setting on foot a glass furnace to make glass and beads, and fishing and trading ventures, but also "for Transporting 100 Maids to Virginia to be made Wives."[3]

But the company, like its predecessor, was short-lived. Its problems of management were much larger and more complicated than even its capable business men were prepared to solve. Many of its enthusiastic subscribers got lukewarm or colder and failed to pay up their subscriptions. The colonists were poorly selected and were unsuccessful both from their own standpoint and from that of the company. The expected trade did not materialize. The company therefore was not financially successful. Furthermore — in part doubtless because of this — it was racked with internal dissensions, and it got into the bad graces of the sovereign and some of his powerful ministers. Such a combination of adverse influences it could not withstand. In 1624 it became insolvent and did not survive the steps taken in that year by the attorney general to have its charter annulled, though judgment was not finally entered until 1632.

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[1] Brown, *Genesis of the U. S.*, i, 362.

[2] Cheyney, *English Conditions Surrounding the Settlement in Va.*, 511–512, 527; G. L. Beer, *Origins of the British Colonial System* (New York, 1908), 29.

[3] Scott, *Joint Stock Cos.*, iii, 466–467.

The next company affecting the territory of the future United States was like its predecessors essentially a business undertaking, incorporated in 1620 by a crown charter naming it *the Councill established at Plymouth, in the County of Devon, for the planting, ruling, and gouerning of* New-England, *in America*.[1] Here the corporate body did not consist, as in the cases of the Virginia Company and the East India Company (1600), of the body of stockholders, but of a "Councill" of forty persons. This corporation maintained its existence for fifteen years. It promoted the fishing industry and established some temporary fishing settlements; and it was the source of numerous grants for colonizing ventures in New England, including notably those of the Plymouth colony and of the more famous Massachusetts Bay Company.[2] But its efforts were not long successful; in 1623 it was well-nigh moribund, and in 1635 it surrendered its charter.[3]

Mention may be made, in passing, of some other English business corporations which were concerned in the New World, though not with that part of it which separated from the mother country at the Revolution.[4] Thus in 1610 a charter, probably similar to that of the Virginia Company, was granted to *the Treasurer and Company of Adventures and Planters of the Cities of London and Bristol for the Colony or Plantation in Newfoundland*.[5] In 1612 a group of "undertakers" purchased the rights of the Virginia Company to the Bermuda Islands, and succeeded so well in the exploitation of the islands that in 1615 they applied for and secured a charter as *the Governor and Company of the City of London for the Plantation of the Somers Islands*, with Sir Thomas

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[1] Charter in Hazard, *State Papers*, i, 103–118, esp. 107.

[2] See *ibid.*, i, 298–304, ii, 597–605; Scott, *Joint Stock Cos.*, ii, 303–304; Miller Christy, in *Amer. Hist. Rev.*, iv, 685–702 (July, 1899).

[3] For its history, see Scott, *Joint Stock Cos.*, ii, 301–306; Osgood, *Amer. Cols.*, i, 98–103, 239–255; *Amer. Antiq. Soc. Proc.*, 1867, pp. 97–131.

[4] Cf. also C. M. Andrews and F. G. Davenport, *Guide to the Manuscript Materials for the History of the United States to 1783, in the British Museum, in Minor London Archives and in the Libraries of Oxford and Cambridge* (Washington, 1908), 21, 32, 33, 283, 395, for various proposals which bore no fruit.

[5] Scott, *Joint Stock Cos.*, ii, 317–318.

Smythe, treasurer of the Virginia company, as first governor.[1] In 1627 a crown charter was obtained for *the Governor and Company of Noblemen and Gentlemen for the Plantation of Guiana.*[2] In 1630 there was erected a corporation for planting what are now known as the Mosquito Islands, off the coast of Nicaragua, which constituted "in several respects the most important and progressive English settlement, in the islands off the coast of America during the reign of Charles I."[3] Probably the most famous of all was chartered in 1670 as *The Governor and Company of Adventurers of England trading into Hudson's Bay*, which has yet not ended its long and generally prosperous career.[4] Finally in 1692 a group of London merchants obtained from Parliament a fourteen-year charter, with exclusive privileges in the fisheries of the North Atlantic waters, for what is known as the "Greenland Company." This enterprise was poorly managed, unsuccessful, and soon fell through.[5]

None of these corporations, however, had any great significance for that part of America which became the United States, and most of them were short-lived and ineffective.

One other of the "original thirteen" colonies was founded and, for a time, governed by a completely English corporation. This was the one in which James Oglethorpe was the moving spirit and for which he obtained, in 1732, a charter from George II incorporating himself and nineteen others as *the Trustees for establishing the Colony of Georgia.*[6] This corporation, however, belongs to a distinctly different type from the ones which have just been mentioned. Here the dominant motive was not profit-making, but charity; and in consequence the charter bears close resemblance to those of the eleemosynary corporations of its day. But it was no more successful than its predecessors of a business nature; and in 1752, a year before its charter was to expire by limitation, the trustees voluntarily gave over their rights to the crown.[1]

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[1] Scott, *Joint Stock Cos.*, ii, 261–262. Cf. *ibid.*, 263–297, *passim.*

[2] *Ibid.*, ii, 325.

[3] *Ibid.*, ii, 328–330.

[4] *Ibid.*, ii, 228–237; George Bryce, *The Remarkable History of the Hudson's Bay Company* (London, 1900).

[5] Scott, *Joint Stock Cos.*, ii, 379. The fact that monopoly privileges were granted explains the presence of an act of Parliament. Henry Elking, *A View of the Greenland Trade and Whale-fishery . . .* (London, 1722).

[6] Charter in Poore, *Charters and Consts.*, i, 369–377.

Besides these English companies a few of other nationalities must be mentioned. Henry Hudson was sailing in the service of the Dutch East India Company (formed 1602) when in 1609, searching for a westward passage to India and Cathay, he discovered New York.[2] But this company took no interest in America and did not follow up this discovery.

A Dutch West India Company had been a favorite project since 1592 with Willem Usselinx, Antwerp born, and bred a merchant in Antwerp, Siam, and the Azores.[3] The States-General issued a charter early in 1607, but owing to rivalries of cities and parties and capitalist backwardness, no use was made of it.[4] Under the stimulus of an offer (1614) of exclusive privileges to discoverers of new places who should make four voyages thereto, a group of Dutch merchants formed in 1614 *The United New Netherland Company* and secured a special grant for four years for the purposes of trade, apparently without corporate powers. A renewal of its grant was refused.[5] After repeated failures the promoters of the West India Company procured a new charter in 1621, authorizing a capital of six million florins (£500,000).[6] Its fundamental purpose was to injure the Spaniards and rob their treasure fleets, but in 1623 it began trading operations in

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[1] For its history, see Jones, *Hist. of Ga.*, vol. i, esp. chaps. 4, 5, 27; and "A Brief Account of the Establishment of the Colony of Georgia under Gen. James Oglethorpe, Feb. 1, 1733," reprinted in Peter Force, *Tracts* . . . (Washington, 1835), i, No. II.

[2] H. C. Murphy, *Henry Hudson in Holland* . . . (reprint, The Hague, 1909), treats briefly of the origin of the company and more fully of Hudson's connection with it.

[3] J. F. Jameson, *Willem Usselinx, Founder of the Dutch and Swedish West India Companies* (New York, 1887), deals in detail with its projection and promotion, though but slightly with its American activities.

[4] *Ibid.*, esp. 31–35.

[5] E. B. O'Callaghan, *History of New Netherland* . . . (New York, 1848), i, 70–85.

[6] Cf. Jameson, *Willem Usselinx*, esp. 34–47, 54–76; O'Callaghan, *New Netherland*, i, 71, 86–93, and Appendix A (the charter). G. M. Asher, in his *Bibliographical and Historical Essay* . . . (Amsterdam, 1854–67), pp. xviii–xix, compares it with the East India Company, O'Callaghan with English colonizing companies.

New Netherland. The early years were markedly successful from the pecuniary viewpoint, chiefly because of its conquests. But the basis for permanent prosperity was not laid; the directors allowed their private interests to take precedence over the company's interest; politics, domestic and international, proved an opposing factor; and in 1638 the company's monopoly was abolished.[1] Opposition to the Portuguese and jealousy of the English supplemented its internal troubles, and for many years the company had been in sore financial straits and accomplishing little in the New World, when in 1664 the English seized New Netherland. Thereafter the company did not appreciably affect the province, despite the brief reoccupation by the Dutch a few years later.

Dissatisfied with the charter of the Dutch West India Company, Usselinx went to Sweden and obtained from Gustavus Adolphus in 1626 a twelve-year charter for the General Commercial Company of the kingdom of Sweden, known as the South Company.[2] Delays, reorganizations, amplification of the charter, but slight activity and none at all relative to America, characterized the next few years. By 1646 the company was practically dead. In 1636 a small "New Sweden" company was formed and chartered, led by Peter Minuit and Peter Spiring, and in 1638 its first expedition landed in the Delaware. Other expeditions followed, colonists were planted, and a modest trade developed. Reorganized in 1642, it continued to enjoy privileges from the crown and sent out more colonists and trading expeditions. In 1652, however, its privileges were materially curtailed by throwing open the tobacco trade, and the definite establishment of Dutch supremacy soon after reduced its importance. In reorganized form it continued connection with the colony for many years, despite political changes, but it was no longer of particular significance.

These companies belong in the same category with the English companies for trade and colonization, although they are not precisely analogous to the English corporations in essential powers and privileges.

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[1] O'Callaghan, *New Netherland*, bk. I, chaps. 2–6; J. R. Brodhead, *History of New York* (New York, 1853), chaps. 5–20.

[2] Jameson, *Willem Usselinx*, 93–100; Amandus Johnson, *The Swedish Settlement on the Delaware* . . . (Philadelphia, 1901), i, 52–58. For the Swedish companies I rely largely on Johnson's lengthy account. Cf. also Hazard, *Register of Pa.*, iv, 373–374.

Another important group of corporations active in America secured charters in England and had both their origin and their seat in the British Isles. These were the missionary societies, which aimed at the evangelization of the Indians.

The first was *the President and Society for the propagation of the Gospell in* NEW ENGLAND, frequently known as "the New England Company." This was incorporated by act of Parliament in 1649, during the suspension of the royal power.[1] After the Restoration (1662), however, despite its distinctly Puritan complexion, the society secured from Charles II a new charter, which confirmed it in the possession of corporate powers.[2]

Near the end of the seventeenth century a Presbyterian society was founded in Edinburgh with a similar purpose, and two years after the Parliamentary union with England (1709) this was incorporated as *The Society in Scotland for Propagating Christian Knowledge.*[3]

Most important of all, perhaps, was the missionary organ of the Established Church, known as *The Society for the Propagation of the Gospel in Foreign Parts*, which was incorporated in 1701, with its seat in London.[4]

All three of these, while retaining their bases in the mother country, carried on active operations in America down to the Revolution; and although their efforts were expended elsewhere thereafter, the war and its consequences did not end their corporate existence.

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[1] Charter in Hazard, *State Papers*, i, 635–636. See esp. account in Vening, *New England Company*. This is probably the organization referred to by Edward Randolph in a letter of March 26, 1684, to the Archbishop of Canterbury, in which he says it was chartered by letters patent about 1643 as "The Governor and Company for Evangelizing the Indians in New England": Toppan, *Edward Randolph*, iii, 287–291. See also Briggs, *Amer. Presbyterianism*, 97–99, xxxvi–xxxix; Hazard, *State Papers*, ii, 438, 453; John W. Ford, . . . *Correspondence . . . of the New England Company* . . . (London, 1898); *Pa. Mag. of Hist. and Biog.*, xxv, 134, 286; Andrews and Davenport, *Guide*, 66, 70, 299, 330.

[2] Vening (*New England Company*, 294) states that Sir Robert Boyle was largely influential in securing this charter.

[3] Briggs, *Amer. Presbyterianism*, 297–303; Chase, *Dartmouth College*, i, 8; *A Summary Account of the Rise and Progress of the Society* . . . (Edinburgh, 1783). Cf. *Conn. Col. Recs.*, x, 97–98; Andrews and Davenport, *Guide*, 66, 67.

[4] Perry, *Amer. Epis. Church*, i, 197–205; C. F. Pascoe, *Two Hundred Years of the S. P. G.*, 1701–1900 (London, 1901).

Besides these incorporated bodies there were several similar missionary and charitable organizations which operated without charters. Such, for example, were "a society of noblemen and gentlemen in London, for the relief and instruction of poor Germans, and their descendants, settled in Pennsylvania, and the adjacent British Colonies . . ."[1] and certain associates for the conversion of adult negroes and the education of their children.[2]

In contrast with these corporations, which are to be called American only in the sense that in America lay the primary sphere of their operations, there were a few which in spite of their European charters were more thoroughly American corporations. Foremost among these were the three which were identified with the more important New England colonies.

The first obtained in 1628 a grant from the Council for New England, and a year later secured from the crown not only a confirmation of this grant, but also an independent charter of incorporation with the title of *the Governour and Company of the Mattachusetts Bay in Newe-England.* This company, while in the form of a business corporation like the East India and Virginia companies, was not actuated to any great extent by the hope of pecuniary profit, and it soon lost what little financial character it originally possessed. It was rather dominated by the desire to establish in the New World a colony in which certain ways of thinking and living might find an unhampered expression. As such it was more successful than its contemporaries and predecessors of a business nature. Soon after its organization its leaders took the bold step of transferring its seat to America. There established it gradually lost its private character, and out of its corporate organization it evolved the political system of the chief New England colony.[3] In 1684, indeed, the

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[1] Cf. William Smith, *A Brief History* . . . (1755), mentioned in Andrews and Davenport, *Guide*, 292–293; Charles Evans, *American Bibliography* . . . (Chicago, 1903–), iii, 124, No. 7569.

[2] Hazard, *Register of Pa.*, i, 428–429 (1828).

[3] Charter in Hazard, *State Papers*, i, 239–255. Cf. Scott, *Joint Stock Cos.*, ii,

Massachusetts Bay Company was deprived of its corporate charter, by *scire facias* proceedings, and the "province charter" granted in 1691 did not reëstablish the corporate form of organization. But in the struggle of half a century to maintain the first charter the corporate organization had made an indelible impression on the governmental machinery; and the province charter, while it did not rebuild the corporate structure, contained many of the important features which the corporation under its earlier charter had developed.[1]

Soon after the opening of the English Civil War three towns to the south of the Massachusetts Bay colony petitioned Parliament for a charter granting them powers of self-government. Accordingly the Commissioners of American Plantations, acting by authority of an act of Parliament, granted in 1643

> "to the aforesaid Inhabitants of the Towns of Providence, Portsmouth, and Newport, a free and absolute Charter of Incorporation, to be known by the Name of the Incorporation of Providence Plantations, in the Narragansett-Bay, in New-England."[2]

This "charter," which the towns accepted in 1647 and to which they conformed until the Restoration, may not technically have created a corporation. It is not in the usual form and it does not specifically grant any of the general powers customarily belonging to corporations, except "to make and use a public seal."[3] Uncertainty on this point might well have existed at the time, for there was no recognized sovereign to give assent to the grant and no substitute for the crown had yet been evolved.

After the Restoration, however, Charles II was prevailed upon to replace this charter, whose validity was no longer to be relied

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312–315; Osgood, *Amer. Cols.*, i, 128–223; Channing, *Hist. of U. S.*, i, 322–323. Cf. Emory Washburn, "Transfer of the Colony Charter of 1628 from England to Massachusetts," in *Mass. Hist. Soc. Proc.*, 1st Series, iv, 154–167 (1859); Mellen Chamberlain, in *Mass. Hist. Soc. Proc.*, 2d Series, vii, 108–112 (1893); articles by Joel Parker and Charles Deane, in *ibid.*, 1869.

[1] Charles Deane, "The Struggle to Maintain the Charter of King Charles the First, and its Final Loss in 1684," in Winsor, *Memorial History of Boston* (Boston, 1880), i, 329–382. The 1691 charter is in Poore, *Charters and Consts.*, i, 942–954.

[2] Hazard, *State Papers*, i, 538–540; *R. I. Col. Recs.*, i, 143–144. The petition seems to have called for "a free Charter of Civil Incorporation and Government."

[3] Cf. A. M. Eaton, "The Right to Local Self-Government," in *Harvard Law Rev.*, 1900, esp. xiii, 570–573.

upon, with another. The new charter, granted in 1663, was quite definite in its terms and, besides specifying the usual general powers which appertained to corporations, it provided that the petitioners

> "shall be . . . forever hereafter, a body corporate and politick, in fact and name, by the name of the Governor and Company of the English Colony of Rhode-Island and Providence Plantations, in New-England, in America."[1]

A year before (1662) Charles II had granted a like charter making the towns of Connecticut a corporate province.[2]

Both of these charters, in general form not dissimilar to that of the Massachusetts Bay Company, were the fundamental law in these two colonies down to the Revolution; and indeed it was not until 1842 that Rhode Island's charter was definitely replaced by a new state constitution.[3] Here, then, were two important public corporations in the colonies which long maintained a corporate existence by virtue of charters from the English crown.

In addition to these "charter colonies" at least two other corporations, of a somewhat less public character, were organized under English charters for establishment in America — a Pennsylvania trading company and the college in Virginia.

The Free Society of Traders in Pennsylvania[4] was chartered by William Penn early in March, 1682, a few months before his departure for his province.[5] Penn had earlier refused an offer of

> "six thousand pounds, and pay the Indians for six shares, and make the purchasers a company, to have wholly to itself the Indian trade from south to north, between the *Susquahanagh* and *Delaware* Rivers, paying me two and a half per cent. acknowledgment or rent."[6]

In contrast to this the preface to the articles of settlement of the Free Society remarks:

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[1] Hazard, *State Papers*, ii, 612–623.

[2] *Ibid.*, ii, 597–605. Cf. N. P. Mead, *Connecticut as a Corporate Colony* (Lancaster, Pa., 1906).

[3] Poore, *Charters and Consts.*, vol. ii, "Rhode Island."

[4] A good account of the history of this company is given in Judge S. E. Baldwin's *Amer. Bus. Corps. before 1789*, pp. 257–262. Its articles, published in London, 1682, are reprinted in the *Pa. Mag. of Hist. and Biog.*, v, 37–50 (1881).

[5] An abstract of the charter is in Scharf and Westcott, *Hist. of Phila.*, i, 89.

[6] Penn to Robert Turner, 25th 6th mo., 1681, in Armstrong, *Hist. Soc. of Pa.*, *Memoirs*, i, 212–213.

> "It is a very unusual Society, for it is an Absolute Free One, and in a free Country: A Society without oppression; wherein all may be concerned that will; and yet have the same Liberty of private Traffique, as though there were no Society at all."[1]

In May of the same year, by one of the "laws" agreed upon in England by the "governor and freemen" of the province to be founded, the charter was in some sense ratified.[2] In England its articles of association were drawn up (March 25), most of its stock subscribed, and the first "General Court" or organization meeting held (May 29).[3]

In spite of this distinctly English origin, however, the society was intended from the outset to be a thoroughly American institution in activity and control, and it was designed to play an important part in the province. Its base of operations was to be promptly removed to America; and its articles provided that after that event each stockholder not resident in Pennsylvania was restricted to a maximum of a single vote unless he should own at least one thousand acres of inhabited land in the province, while those who had this much of a stake in the success of the province or who had gone thither to settle were allowed two votes for two shares and three votes for six shares or more (Arts. I, II).

In addition to its charter Penn granted the society a city lot running from river to river and containing one hundred acres, and twenty thousand acres of land in the country, including four hundred in the "City Liberties," with the privileges of a manor, including the right to representation in the provincial legislature.[4] Plans were made for a variety of operations besides ordinary trade and commerce: during the first year, for example, the society was to send over two hundred servants, "of such *Trades* and *Capacities* as may be most for the benefit of the

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[1] *Pa. Mag. of Hist. and Biog.*, v, 39. The comment is highly significant as to the typical trading corporations of the day. Penn is said to have aided in drafting the charter and constitution: Scharf and Westcott, *Hist. of Phila.*, i, 85.

[2] *Pa. Col. Recs.*, i, 40 (No. 31).

[3] Hazard, *Register of Pa.*, i, 394–397; letters of James Claypoole, treasurer, in R. B. Graff, *Genealogy of the Claypoole Family of Philadelphia* (Philadelphia, 1893), 23, 26–32.

[4] *Pa. Arch.*, i, 44; Baldwin, *Bus. Corps.*, 260–262; Penn to the committee, Aug. 16, 1683, in Robert Proud, *The History of Pennsylvania* . . . (Philadelphia, 1797), i, 264.

Society;" mines were to be operated; and the society was to assist the Indians in making settlements (!) (Arts. VIII, XIX, XXII). It was required that the officers and servants of the society should dispose of their private purchases of furs through the society, and others were permitted to do similarly, the society's English factors attending to the entire business. The advantages of this phase of its activities were especially stressed in the roseate preface to the articles.[1]

The early days of the society were bright. On April 26, 1682, the subscription book showed subscriptions of £5400, made by over two hundred persons, in sums ranging from £25 (a half share) to £400. Within the next few weeks these may have been materially increased.[2] It may perhaps be presumed that the original deposit of five per cent of the subscriptions was paid in at this time as required. At the meeting in May it was directed that the first instalment of one quarter should be completed within one month,[3] and this constituted the original capital. Before Penn left London letters to the "Emperor of Canada" were prepared, with a view to establishing friendly relations for trade.[4] Its first president, Nicholas More, was honored with provincial offices: in May, 1683, he became secretary of the council; a year later speaker of the assembly; and in August, 1684, one of the five provincial judges.[5] A number of artisans were imported as "servants to ye Society."[6] A tannery and a grist mill were erected in 1683, a saw mill and a "glass house" in 1684. At first the English cargoes in which considerable sums were invested were profitably disposed of.[7]

Penn continued his favor and interest. He wrote a committee of the society in London in August, 1783:

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[1] *Pa. Mag. of Hist. and Biog.*, v, 39, 47.

[2] *Ibid.*, xi, 175–180. Cf. Art. IV: £25 was the minimum subscription permitted, but five men might subscribe together in one man's name. James Claypoole, the treasurer, wrote his brother in this month: "wee have about £8000 subscribed, and do expect it will bee made up £10000 the ½ of w^{ch} we take in at present: and ye other ½ as wee shall have occasion next year or afterwards . . .": Graff, *Claypoole Family*, 31.

[3] Hazard, *Register of Pa.*, i, 394.

[4] *Ibid.*, i, 397, ix, 112.

[5] *Pa. Col. Recs.*, i, 73, 105, 119, 121.

[6] Cf. *Pa. Mag. of Hist. and Biog.*, viii, 328, 339, 439.

[7] Baldwin, *Bus. Corps.*, 262.

> "I am sure, I have not turned my back upon any offer, that tended to its prosperity; and though I am ill at projects, I have sometimes put in for a share with her officers, to countenance or advance her interest. . . . I . . . assure you, that I am heartily inclined to advance your just interest, and that you will always find me *Your kind cordial friend.*"

And he seconded the urging of the officers in Pennsylvania that some thousands of grapevines, "with some able *Vinerons*," be sent out from France, and Frenchmen for establishing the linen manufacture.[1]

Genuine prosperity, however, never was realized. The Pennsylvania assembly failed to ratify the charter, to the disappointment of the London members. Claypoole, the treasurer, wrote Penn April 1, 1683:[2]

> "we are likely to suffer both in our stock and reputation when it comes among the people. I am afraid they will say they are all cheated, for the charter or Patent which thou signed was a great inducement to many to subscribe and to others to pay in their money . . . get all things done in relation to the company to answer our engagements, and the people's expectations, if the charter be uneasy let it be mended if it cannot be mended lay it aside, and make another for a charter there must be, or the company cannot subsist."

The proprietary charter seems not to have been regarded as sufficient, for later suits were brought against officers of the company rather than against the company itself, and its lands were held by trustees.

The president, More, proved impossible to get along with, was replaced in 1684 by Benjamin Chambers, and in his capacity as judge fell into disgrace, without yet being clear of the society's business.[3] The Indian trade failed to develop as had been expected. Goods were sold on trust, and the society found itself unable to collect on them. As early as May, 1684, the condition of its affairs was such that the secretary wrote that the society had neither money nor credit, and added: "I am so weary of the Society's business that I will get clear as soon as I can." [4] Penn wrote earnestly to the council, from England, in 1686:

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[1] Proud, *Hist. of Pa.*, i, 264.

[2] Graff, *Claypoole Family*, 38.

[3] Claypoole to Penn, April 1, 1683; Proud, *Hist. of Pa.*, i, 295–298; *Proprietor* v. *Moore*, in Pennypacker, *Pa. Colonial Cases*, 39–48; *Pa. Col. Recs.*, i, 135–137, 139–141, 145–146, 153.

[4] Baldwin, *Bus. Corps.*, 262, quoting Claypoole's MSS. Letter book.

> "The society is a great Reproach to y^e^ Province, & in nothing more then not sending an account of the debt^e^ & cred^r^ which I stayd there so long & lett so often for, & saw effected. That itself was mislay'd or lost or designedly kept back after all y^t^ pains, so y^t^ my own credit, y^t^ I saw it & y^e^ totall of debt 6000 lbs. odd hundred & y^e^ cred^t^ 9000 lb. odd hundred pounds, was all they had to rest upon, & certainly merchands & traders y^t^ trust in themselves, but their books, had little reason to give me that respect pray call the President or chief officer before you on my complaint, order him to transmitt a faithful account. I writt to them to transmitt y^e^ goverm^t^ of it hether, w^ch^ would serve the Province, content the present rich members here, & encourage others to come in for fresh stock can only save it with fresh and other methods." [1]

The society in the province became involved in acrimonious disputes and exhausting litigation. Early in 1687 Penn felt impelled to write Thomas Lloyd:

> "This quarrel about the society has made your great guns heard hither: I blame nothing, nor the society here, to be sure; but I could wish *Dr. Moore* and P.[atrick] R.[obinson] could have been softened, and that J. Cl.[aypoole] had been more composed. . . ." [2]

Active operations were soon suspended. Efforts, seconded by Penn, continued to be made by stockholders in England to have an accounting made by the officers, and the affairs of the society were several times before the provincial council.[3] The efforts were long in vain. By 1704 the society was referred to as "y^e^ old Pensilvania Compa."[4] In 1721, however, the assembly passed a bill providing for its dissolution and the distribution of its assets; and in 1723, when Governor Keith had satisfied himself that such measures would operate with justice, an act appointing trustees for this purpose was approved.[5] Thus, after an existence extending over a period of forty years, the company came to an end.

Finally must be mentioned the College of William and Mary, which enjoys the distinction of being the only colonial college to be incorporated directly by royal charter. The agitation for a college in Virginia had begun almost with the founding of the colony and had continued sporadically throughout the seventeenth century. It was not until the last decade of the century, however, that the movement became effective, then largely through the energetic efforts of Rev. James Blair. This gentleman, commonly known as "Commissary Blair" because of his office in the Established Church, was sent to England in 1691, to seek a charter from the crown, with the warm support of Governor Nicholson and the House of Burgesses.[1] In England he encountered some opposition, chiefly on financial grounds, and a great deal of inertia. However, after spending nearly three years and some £360 he left for Virginia in 1693 with a charter from William and Mary and financial support to boot.[2]

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[1] *Pa. Mag. of Hist. and Biog.*, xxxiii, 308–309.

[2] Proud, *Hist. of Pa.*, i, 298–299, quoting also letter of June 6, 1687, along the same line; *Pa. Col. Recs.*, i, 112, 146–147, 149, 189; Pennypacker, *Pa. Colonial Cases*, 86–88.

[3] *Pa. Col. Recs.*, ii, 136–137, 160; *Penn-Logan Correspondence*, ii, 108.

[4] See letter of Penn to governor and council, Dec. 15, 1703: *Pa. Col. Recs.*, ii, 136–137.

[5] *Ibid.*, iii, 138–139; *Pa. Charters and Acts*, i, 91–95.

The college did not fulfil all the high expectations which had been aroused, but it succeeded in maintaining its corporate existence and serving to some extent the educational needs of Virginia to the end of the colonial period.

Numerous other colonial requests from the colonies for crown charters failed. Increase Mather sought one for Harvard, by vigorous exertions extended over several years. Similarly Samuel Davies exerted himself on behalf of the New Jersey College at Princeton, Eleazar Wheelock for his Indian school (later Dartmouth College), and George Whitefield for the orphan school which he wished erected into Bethesda College.[3] Petitions for charters for companies to deal in naval stores, particularly by the Byfield and Dudley groups, met with a like fate early in the eighteenth century.[4]

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[1] P. A. Bruce, *Institutional History of Virginia in the Seventeenth Century* (New York, 1910), esp. i, 380–401. Bruce says Nicholson was the "chief promoter and chief supporter." The house of Burgesses voted £200 for expenses and drew up an address to the king and queen.

[2] Bruce, *loc. cit.;* Doyle, *Eng. Cols.*, i, 270–272; Tiffany, *Prot. Epis. Church*, 33–35; Perry, *Amer. Epis. Church*, i, 115–122; *Va. Mag. of Hist. and Biog.*, esp. vii, 165, 391 (1899–1900); L. G. Tyler, *Williamsburg* . . . (Richmond, 1907), 110–124; and for both history and charter, *Hist. of the College*, 1693–1870.

[3] *Diary of Samuel Davies* (MSS.); Shirley, *Dartmouth College Causes*, 21–27; *infra*, 82.

[4] E. L. Lord, *Industrial Experiments in the British Colonies of North America* (Baltimore, 1898), 6–7, 15–39; *Hist. Soc. of Pa. Memoirs*, iv, 255, 347, 352, 382 (1850); Ashurst to Winthrop, Sept. 9, 1704, in Hinman, *Letters* . . . , 318–319; Andrews and Davenport, *Guide*, 399, 402.

Charters direct from the crown were sought partly to attract financial support from England, partly to secure a standing which would better bear attacks in the colonies and in England, partly to secure the counsel of more experienced and wiser English heads. William Smith, a New York lawyer, writing to Eleazar Wheelock's agent there, March 30, 1767, remarked:

> "An incorporated body will not only acquire rights maintainable by law in the courts of justice, but command the favor of the government, who without that sanction, may at such distance from the crown oppress the undertaking a thousand ways and utterly destroy it." [1]

The reasons for failure to secure such charters were various. Opposition from the colonies was sometimes a factor, as in the case of the naval stores companies. Unwillingness to move unless the wheels were oiled with more liberality than colonial petitioners were in a position to do played a part. Eleazar Wheelock wrote, April 7, 1769, telling of his failure to get a charter for his school, that the board of trust told him that

> "Experience . . . has fully taught them that by means of an incorporation, such designs became jobs, and are soon ruined thereby. They choose to hold the monies collected there in their own hands for this purpose. . . ." [2]

In the main, however, it was probably the pressure of other business, the caution against taking unnecessary steps, and mere inertia that prevented the granting of more charters for local American corporations.

In some cases not a charter but an order for a charter was all that was requested. William Smith, for instance, advised in 1767 with reference to Wheelock's Indian school:

> "A petition should be proffered to his majesty, for a *mandamus* to the governor and council and all subordinate persons, to pass a charter according to a form annexed *in hoc verba*, under the great seal of the province; and at the same time a standing instruction should be procured to the governor and secretary for Indian Affairs, to aid countenance and protect the corporation in the execution of the powers and privileges granted to them by the charter, as they will answer to the x x x x x at their peril." [3]

It is not clear that any request of this nature was granted.

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[1] Shirley, *Dartmouth College Causes*, 24.

[2] *Ibid.*, 27.

[3] *Ibid.*, 24.

In all, then, there seem to have been active in the territory of the thirteen colonies prior to the Revolution more than a dozen corporations, each of which possessed one or more charters granted in England, most of them by the crown, and several more with charters from other European states. Most of them were concerned with trade, colonization, and government, three, however, with evangelistic effort, one primarily with trade, and one with higher education. The large majority were dominated by business motives. These were perhaps least successful, though the lack of a common basis of comparison makes such an assertion of little weight. At all events none of the business corporations had a continuous active existence of more than a score of years and all ended in discouragement; while six of the other eight survived as corporations to the Revolution. Three of these survivors had from the beginning maintained the seat of the corporation in America, while the other three — the missionary societies — conducted their operations from a British base. As a class these corporations were among the most important of those active in the American colonies.

CHAPTER III

Public Corporations with American Charters

With the exception of the few which have just been discussed, all of the corporations which were active in the territory which was to become the United States may be said to have been American in origin and charter as well as in other important respects. In considering these distinctly American corporations, numerous as they are, some classification is desirable. Such a classification, however, is difficult to make. The law of the period, even as presented by Blackstone on the eve of the Revolution, did not differentiate the various types; and the charters do not admit of ready grouping in all cases, even when they are accessible. For convenience, nevertheless, we may somewhat arbitrarily set off the public corporations from the private ones, applying a distinction then unrecognized. Within the group of public corporations we may attempt to distinguish the corporate boroughs and cities from the "corporate towns" of lesser dignity, and to notice separately such miscellaneous public corporations as those charged with administering poor relief or public education. And among the private corporations it is possible to distinguish particularly those which were organized for religious, charitable, educational, and business purposes.

Of the public corporations the chartered municipalities which were known as "boroughs" and "cities" belong first in order of prominence.[1] As we have seen, most of the proprietary grants and the commissions to royal governors, not to mention other colonial documents, bear indications that the growth of these institutions and lesser corporate towns in America was looked upon as a matter of course.[1] In treating of these corporations the difficulty of terminology is serious. In Virginia, for example, the boroughs were merely election districts from which burgesses were sent to the colonial assembly; they do not seem to have been corporate entities.[2] In the same colony some of the first settlements were named "James City," "Charles City," "Henrico City," and so forth;[3] but there seems to be no evidence that they were ever accorded corporate privileges. In Pennsylvania, furthermore, where the corporate borough has since become an important unit of local government, the borough charter of Chester (1701), while it grants certain powers of self-government, seems to lack entirely the "words sufficient in law" which were necessary to create a corporation; and the charter of Bristol (1720) is only slightly more definite.[4] So far as the distinction between corporate boroughs and corporate cities is concerned, indeed, the difficulty of classification may be neglected. Even in England, where a city was generally a borough which served as the seat of a bishop, the line was not sharply drawn;[5] and in America, where this mark of distinction was not available, no more can be truly said than that the city was, or was expected to be, of greater importance than the borough.

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[1] J. A. Fairlie, "Municipal Corporations in the Colonies," in *Municipal Affairs*, ii, 341–381 (1898), gives a list of these (not entirely accurate) and discusses them from the standpoint of municipal government.

The first of the score or more incorporated boroughs and cities was chartered in Maine by the proprietor, Sir Ferdinando Gorges, in 1641. "The Planters and Inhabitants of Acomenticus" were ordained into "one bodie politique and corporate . . . by the name of the Maior Aldermen and [6] of the Towne of Acomenticus within the Province of Maine. . . ." To the mayor and aldermen was given power not only to hold courts, build fortifications, etc., but to make and execute "such by lawes orders and ordinances as are accustomed to be made in Townes Corporate in England," as should be "wholesome and necessary" and "consonant vnto the Lawes orders and ordinances vsed in

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[1] See *supra*, esp. 8–10, 16.

[2] Fairlie, *Munic. Corps. in Cols.*, 343.

[3] See Brown, *First Republic*, 194, 205, 254, and *passim*.

[4] Charters in Hazard, *Register of Pa.*, iii, 264–265, iv, 312–314. Cf. *infra*, 55–56.

[5] Pollock and Maitland, *Hist. of Eng. Law*, i, 625.

[6] The blank is left in the charter as printed in Hazard.

England;" and further "to make as many free Burgesses of the said towne as they shall think fitt, and to disfranchise any of them for iust and reasonable Cause. . . ."[1]

A year later (March 1, 1641–42), specifically reciting the "Citties Burroughes and Townes" section of his charter, Gorges made a new grant for the erection of a "Cittie or Towne," "Corporacon," or "Incorporacon," by the name of Gorgeana,[2] whose mayor, twelve aldermen, and twenty-four common councilmen should constitute a body corporate. It appears that, whether or not their limits were precisely coextensive, the new "Citty" supplanted the older "corporate Towne," and thus the first American city was formally established.

Unfortunately the city hardly justified the dignity which was thus thrust upon it, though it seems to have operated under its charter for a time. In 1652 it was one of the settlements rudely annexed to the Massachusetts Bay by the commissioners sent from Boston, and it was at that time reduced in form to the level of the ordinary (unincorporate) Massachusetts town, with the simple name of York.[3]

The second American municipality was New York.[4] In 1650, while the province was under Dutch control, a committee of the States-General recommended a municipal government for New Amsterdam;[5] and in 1652 it was accorded privileges similar to those enjoyed by the "free cities" of Holland.[6] When the English came into possession, Governor Nichols revoked (1665) the earlier form of government and proclaimed that the officials henceforth "shall be knowne and call'd by the name & Style of Mayor Aldermen & Sherriffe, according to the Custome of England in other his Ma^ties^ Corporacons;" and by a supplementary commission ordered that the inhabitants of Manhattan Island should "bee for ever accounted, nominated and Established, as one Body Politique and Corporate."[1] Except for the period of the Dutch reoccupation, 1673–74,[2] this proclamation remained the basis of the city's privileges until 1686. In 1683 the mayor and aldermen petitioned the governor, Dongan, for a confirmation of their "ancient privileges," with certain additional ones, and he communicated the request to the Duke of York.[3] It is to be presumed that at least he received no unfavorable response, despite James's jealousy of municipal corporations, for three years later (1686) he issued a formal charter of incorporation which elaborately expressed the details of the municipal government.[4] The validity of this charter was brought in question, inasmuch as James, though he had been a year on the throne when the charter was issued, had neglected to provide his governor with a new seal appropriate to his more exalted position, and Dongan accordingly had to use the out-of-date instrument.[5] Finally, in 1730, Governor Montgomery issued a charter which quieted all these uncertainties, established the validity of acts under the Dongan charter, and continued the government in much the same form.[6]

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[1] Charter in Hazard, *State Papers*, i, 470–474. The town is not specifically called a borough or a city.

[2] *Ibid.*, i, 480–486.

[3] *Ibid.*, i, 575. Cf. G. A. Emery, *Ancient City of Georgeana and Modern Town of York* . . . (York Corner, 1904); Williamson, *Hist. of Me.*, i, 287–290, 346; Palfrey, *Hist. of New Eng.*, i, 222. Kittery has likewise been said to have received a borough charter; but this upon doubtful authority.

[4] See esp. J. F. James, "The Origin and Development of the Municipal Government of New York City," in *Mag. of Amer. Hist.*, viii, 315–329, 598–611 (1882).

[5] *N. Y. Col. Recs.*, i, 391.

[6] *Doc. Hist. of N. Y.*, i, 387.

The province of New York boasted two other municipalities with seventeenth century charters. The Dutch burghers of Albany received a charter from Governor Dongan in 1686, a few months after he had issued the one for New York; and despite the same danger because of the inadequate seal, the charter remained the foundation of the government there down to the

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[1] *Doc. Hist. of N. Y.*, i, 602–604.

[2] *Ibid.*, i, 604–610. Cf. A. E. McKinley, "The Transition from Dutch to English Rule in New York," in *Amer. Hist. Rev.*, vi, 692–724 (1901).

[3] *Council Min.*, v, 16, 27, 32, 58, 148, 155, 206 (see *Calendar*); *N. Y. Col. Recs.*, iii, 337–339, 412.

[4] *N. Y. Col. Laws*, i, 181–216; James W. Gerard, "The Dongan charter of the City of New York," in *Mag. of Amer. Hist.*, xvi, 30–49 (1886).

[5] See letters of Governors Bellomont and Hunter: *N. Y. Col. Recs.*, iv, 812, v, 369. As to the colony seals, cf. *ibid.*, iii, 365, 427, 546, 567.

[6] *N. Y. Col. Laws*, ii, 575–639. As mentioned *supra*, 11 n, the "patent" for some land on Nassau Island, given in 1708, is sometimes confusingly referred to as "the Cornbury charter." Cf. *Doc. Hist. of N. Y.*, iii, 425; *Council Min.*, x, 158 (*Calendar*, 217).

Revolution.[1] Ten years later (1696) the inhabitants of the little village of Westchester secured from Governor Fletcher a charter which constituted them a borough or city.[2] Fletcher's successor, Bellomont, protested vigorously against the extravagant nature of this charter, saying that although the "city" consisted of only about twenty houses, it enjoyed greater privileges than any other town in America.[3] The Lords of Trade admitted that the charter looked extravagant in some particulars;[4] but it seems to have survived the agitation against it.[5]

The third city in America, in order of chronological sequence, was the seat of government in the province of Maryland, which Lord Baltimore incorporated as St. Mary's City in 1667.[6] The town was never large. In 1678 Lord Baltimore himself described it as containing no more than thirty houses, and those far apart.[7] In 1694, when the "capital" was removed to embryonic Annapolis, the importance of St. Marys was practically wiped out. It continued to be represented in the assembly, however, until 1708, when the sheriff of the county reported that he could find no inhabitants upon whom to serve the writ of election.[8] It is hardly hazardous to assume that the corporation, whatever it had become, had been virtually extinct for some time.

The two remaining municipal charters of the seventeenth century were granted by William Penn to Philadelphia and Germantown. Shortly before Penn returned to England in 1684, to defend his rights against Lord Baltimore, a committee of the council was appointed to draw up a borough charter for Philadelphia;[9] and if the preambles of the later charters are to be trusted, some sort of a borough government was then established. In 1691

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[1] Charter in Munsell, *Annals of Albany*, ii, 62–87. Cf. also *ibid.*, ii, 37, 88, 90.

[2] *Council Min.*, vii, 180 (*Calendar*, 113); *N. Y. Col. MSS.*, xl, 143 (*Calendar*, 250).

[3] Letters to Lords of Trade of Nov. 12, 1698, and Oct. 17, 1700: *N. Y. Col. Recs.*, iv, 427, 719.

[4] Letter of Aug. 21, 1699: *ibid.*, iv, 548.

[5] See incidental references in *N. Y. Col. MSS.*, xlvii, 178–181, l, 118, 123, 124 (*Calendar*, 313, 337–338); *N. Y. Col. Laws*, i, 586–587, iv, 683–684, v, 304–314.

[6] Charter quoted in part in *McKim* v. *Odom* (1829), 3 Bland Ch. Rep. (Md.) 416 n.

[7] *Md. Arch.*, v, 265–266.

[8] *Ibid.*, xxvii, 62, 197, 202, 209–210.

[9] *Pa. Col. Recs.*, i, 117.

Penn issued a formal city charter, which apparently went into effect, but lost its force when, in 1692, Penn was temporarily ousted from the control of his province by reason of the turn in English politics.[1] In 1701, however, he issued a new one, similar in the main to the charter of 1691, and this continued in force till the Revolution.[2]

The proprietor also granted a borough charter to the settlers of Germantown, dated in London, 1689, which formally "passed the seals"[3] in the province in 1691. This charter survived the change in government which disturbed the Philadelphia government, but it aroused little enthusiasm among the German inhabitants of the borough, and in 1707, when it was found impossible to fill the offices provided for by its terms, it was formally surrendered.[4]

During the seventeenth century, therefore, seven different incorporated boroughs and cities were chartered in America. In the eighteenth, prior to the Revolution, more than twice that number were added. All of these were south of New England, whose lone representative in the earlier period had been ill-fated Gorgeana; but each of the other colonies, except Georgia, counted at least one of the number.

Of these eighteenth century municipal corporations, New York contributed only one. This was the "Borough town of Schenectady," whose charter passed the seals on Oct. 23, 1765, in the face of strenuous opposition by the Albany authorities.[5] It is not certain that the charter ever went into effect.[6] During the succeeding years there was some agitation for a new charter, and the council, in 1767 and 1770, took some steps, though apparently inconclusive ones, in this direction.[1] At all events, there seem to be no satisfactory records of corporate activity there until the legislature newly incorporated the town in 1798.[2]

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[1] Charter in *Pa. Mag. of Hist. and Biog.*, xviii, 504–509. See note by Pennypacker: *ibid.*, xv, 344–345.

[2] Charter in Hazard, *Register of Pa.*, i, 440–443. There was a lapse after the Revolution till 1789. These early charters are discussed in E. P. Allinson and B. Penrose, *Philadelphia, 1681–1887: A History of Municipal Development* (Philadelphia, 1887), chaps. 1, 2.

[3] I. e., had the seal of the province affixed, with the consent of the governor and council.

[4] Charter in *Pa. Arch.*, i, 111–115. See also Pennypacker, *Settlement of Germantown*, for discussion of the early history of the town, with reprints of early records including the charter. Cf. also *Pa. Stats. at Large*, vii, 262–263 (1769).

[5] Jonathan Pearson and others, *The History of the Schenectady Patent* (Albany, 1883), 426–432; *N. Y. Col. MSS.*, xcii, 104–105 (*Calendar*, 747); *Council Min.*, xxiii, 469, xxix, 8, 17, 95 (*Calendar*, 412, 509, 515, 532).

[6] Pearson, *Schenectady Patent*, 431.

In Pennsylvania three new boroughs were established, though the corporate character of two of them is not beyond question. Lancaster was clearly incorporated a borough, in 1742, by charter from the governor: there is a clause specifically creating the grantees a body corporate and politic; the customary general powers of a corporation are specifically conferred; and a section is added providing for construing the charter "most favorably and beneficially for the said corporation." [3]

The grant erecting "The Borough of Bristol" is less definite, but is probably to be regarded as creating a true corporation. This grant was sought in 1718, when the minutes of the provincial council record a petition of the inhabitants

> "requesting that for Regulating their Streets and Preserving the better Order among the Inhabitants, The sd. town might be Erected into a Borough by Charter of Incorporation, which Request being considered of by the Board, It is their unanimous opinion that the sd Town be Erected into a Burrough accordingly, and the Persons Petitioning are Directed to apply to the Attorney General for suitable Draught for that Purpose." [4]

The draft was next read, apparently, only after the lapse of more than a year, and was not agreed to in council till July 19, 1720.[5] On Nov. 14, 1720, the governor issued the formal patent, in the name of the crown.[6] The preamble recites the petition to

> "William Keith, Esq., with our royal approbation governor of said province of Pennsylvania, for our letters patents under the great seal of our said province of Pennsylvania, to erect the said town into a borough, and to incorporate the freeholders and inhabitants of the same with perpetual succession . . . as also to grant such immunities and privileges as may be thought necessary for the well ordering and ruling thereof."

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[1] *N. Y. Col. MSS.*, xciv, 115, xcvi, 69 (*Calendar*, 769, 783); *Council Min.*, xxix, 246 (*Calendar*, 532).

[2] *Session Laws*, 1798, pp. 359–379; Pearson, *Schenectady Patent*, 432.

[3] Charter in Hazard, *Register of Pa.*, iv, 397–398.

[4] *Pa. Col. Recs.*, iii, 57: Oct. 17, 1718.

[5] *Ibid.*, iii, 102.

[6] Hazard, *Register of Pa.*, iv, 312–314.

There is no question, therefore, as to whether incorporation was requested. The charter does not in so many words confer corporate powers, though it does provide at some length for the government of the borough. The concluding section, however, may perhaps be broad enough to support a claim of corporate powers:

> "And further we have, and by these presents do, for us and our successors, give, grant, ratify and confirm, unto the said Burgesses, Constables and Inhabitants of the said town of Bristol, and to their successors, from henceforth, all lawful privileges, immunities, franchises, powers and jurisdictions, hereinbefore granted, or that are hereby intended to be given or granted unto the said Burgesses, Constables, and Inhabitants of the town of Bristol aforesaid, as if the said powers, authorities, liberties, immunities, privileges and franchises were herein or hereby more fully expressed, according to the intent and meaning of these presents."

Finally it should be remarked that after the Revolution the state legislature passed "An Act to establish the ancient Corporation of the Borough of Bristol in the County of Bucks," in which the town seems clearly to be regarded as a corporation.[1]

The charter granted to Chester was given by Penn himself, under date of Oct. 31, 1701, — the day before his final departure from the province.[2] This document apparently served as the model for the Bristol "draught," and it likewise lacks unmistakable incorporating clauses or sections, although the charter given by Penn to the Philadelphians in the same year contains such clauses in much the customary form.[3] There is no such concluding section in the Chester document, moreover, to correspond to the one quoted from the Bristol charter. In the post-Revolutionary act erecting Chester into a borough there is no mention of the earlier incorporation.[4] Nevertheless, Chester was almost certainly regarded as a truly corporate borough, and its title might have been maintained.

Governor Keith granted at least one other charter besides that of Bristol, as appears from a three-page leaflet published in Philadelphia in 1724. Its introduction runs thus:

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[1] *Session Laws*, 1785, p. 642.

[2] Hazard, *Register of Pa.*, iii, 264–265.

[3] *Ibid.*, i, 440–443.

[4] *Session Laws*, 1795, p. 667. Cf., however, James Logan to John Penn, Nov. 17, 1729, in *Pa. Mag. of Hist. and Biog.*, xxxiv, 252–253, and *Pa. Stats. at Large*, ix, 41–45 (Feb. 5, 1777).

> "Newcastle upon Delaware, May 28. 1724. This being the anniversary of his Majesty's birthday, Sir William Keith . . . came to the Court-House, . . . and after having caused the King's Charter to be publish'd for erecting the same into a body corporate and politick, with many valuable privileges, by the name of the City of Newcastle, he made the following speech to the Corporation."[1]

The town was small, and the corporation probably died a natural death before many years and was forgotten.

Five of these eighteenth century municipalities were chartered by the royal governors of New Jersey.[2] The first three, termed "cities," included the respective capitals of East and West Jersey, — Perth Amboy (1718)[3] and Burlington (1732) — and the town of New Brunswick (1730). The later ones, Elizabeth (1740) and Trenton (1746), were called "boroughs." But as usual the variation in "style and title" was of no significance.[4] With one exception all of these charters outlived the colonial period. That of Trenton aroused opposition almost immediately, apparently from inhabitants of the district which had been erected into the borough. This opposition promptly crystallized into a bill to "vacate" the charter, which passed the lower house of the assembly. The council, however, refused to countenance such a method of procedure, pronouncing it "Extraordinary & unprecedented" and liable to "Subvert the Laws of the Land;"[5] but four years later (1750), when Belcher had succeeded Morris in the governorship, the citizens of Trenton quietly surrendered the charter, having found it "not to answer the good and salutary purposes of his late Excellency."[6]

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[1] Evans, *Amer. Bibliography*, i, 382, No. 2542.

[2] A careful account of these is given in Austin Scott's "The Early Cities of New Jersey," in *N. J. Hist. Soc. Proc.*, 2d Series, ix, 151–173 (1887). The only one of the charters in print, that of Elizabeth, is given almost in full in Nicholas Murray's *Notes, Historical and Biographical, concerning Elizabeth-Town* . . . (Elizabethtown, 1844), 28–44. Curiously enough, the published records of the provincial council contain no evidence of action by that body upon these charters, — a fact perhaps to be explained by the incompleteness of the records.

[3] The incorporation of this town had been recommended before New Jersey became a royal colony, but apparently without result: Aaron Leaming and Jacob Spicer, *The Grants, Concessions, and Original Constitutions of the Province of New Jersey, the Acts passed during the Proprietary Governments, and Other Material Transactions* . . . [1664–1702] (Philadelphia, 1758), 185.

[4] With some revisions: cf. Scott, *Early Cities of N. J.*, 170.

[5] *N. J. Arch.*, xv, 619–620, 634.

[6] Quoted by Scott (*Early Cities of N. J.*, 158). *Liber AAA*, *Commissions*, 266–

South of Pennsylvania and New Jersey the only incorporated cities and boroughs of the type we are now discussing were, with a single exception, provincial "capitals."[1] Annapolis, which had been made the seat of the Maryland government in 1694 and provided with a commission government (incorporated) in 1696,[2] was erected into a city by the much disputed charter of Governor Seymour in 1708.[3] In June, 1722, the South Carolina assembly passed an act incorporating "Charles City and Port," the chief town of that colony.[4] A month later Governor Spotswood of Virginia granted a charter to the newly built capital of Williamsburg;[5] and fourteen years later one of his successors, Governor Gooch, incorporated similarly the borough of Norfolk.[6] In 1739 the borough of Wilmington, Delaware, received a governor's charter;[7] and in 1760 the North Carolina town of the same name was likewise accorded similar privileges.[8]

The Charles City charter, alone of this number, was short-lived. Here, as in the case of the Trenton charter, the primary reason for the fall of the charter was the opposition of inhabitants themselves. It is true, as we have already noted,[9] that the agents of the colony had been instructed to secure leave from the crown to incorporate the town, and that the legislature did not wait until this permission had been obtained. But this lack of authorization received apparently little attention. The Lords of Trade were informed, by divers petitions and affidavits, that

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280, 306, in N. J. State Library; *N. J. Arch.*, 1st Series, xii, Oct. 3, 1745, April 3, 1746, April 17, 1748, Oct. 13, 1748, April 10, 1750.

[1] There is a legend that Camden, S. C., was incorporated in 1750 or after, but supporting evidence is not to be had: T. J. Kirkland and R. M. Kennedy, *Historic Camden* (Columbia, S. C., 1905).

[2] See *infra*, 70.

[3] See *supra*, 13–14.

[4] The act has not been preserved. See McCrady, *S. C. under Royal Govt.*, 40–41; *S. C. Stats. at Large*, iii, 179.

[5] Referred to in the act of May, 1723: *Stats. at Large* (Hening), iv, 138–139. Cf. L. G. Tyler, *Williamsburg, The Old Colonial Capital* (Richmond, 1907), 26.

[6] Charter in Ingle, *Local Insts. of Va.*, 121–126. Cf. *Stats. at Large* (Hening), iv, 541–542; W. S. Forrest, *Historical and Descriptive Sketches of Norfolk, . . .* (Philadelphia, 1853), 50–54.

[7] Scharf, *Hist. of Del.*, ii, 635–637; Conrad, *Hist. of Del.*, 300–301. Cf. also act of June 13, 1772.

[8] *N. C. Col. Recs.*, vi, 331. Cf. *ibid.*, ix, 818, for the attempt of the freeholders, in 1774, to surrender it and get a new charter.

[9] See *supra*, 12.

the majority of the townspeople were "against the act." [1] And accordingly the Lords Justices in Council, on June 27, 1723, annulled the act and forced the dissolution of the corporate government that had been in operation for more than a year.[2]

In passing it may also be mentioned that at several different times during the colonial period there was a movement to establish a corporate government for the town of Boston, but local opposition was so strong that advantage was not taken of the apparent willingness of the General Court to give the requisite authority.[3] Charles City was therefore the only municipality of importance to be incorporated by act of assembly during the colonial period.

Despite their comparative insignificance as the source of corporate privileges for this type of corporations, the colonial legislatures were not entirely silent on the subject. In 1705 the Virginia House of Burgesses imitated parliamentary practice to the extent of passing an act directing the governor to grant a charter to Williamsburg,[4] — which he *eventually* did, in 1722. At least three charters — those of Annapolis,[5] New York (Montgomery charter),[6] and Norfolk [7] — were confirmed by legislative act, with greater or less modification; and efforts were made through several years, in vain, to obtain similar action on the Wilmington, N. C., charter.[8] Such acts presumably were desired as additional guaranties of the charters, but it may be doubted whether they affected the legal status of the corporations concerned.

There were thus some twenty-four municipal corporations of the more pretentious type created in the American colonies.

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[1] McCrady, *S. C. under Royal Govt.*, 42–43; *S. C. Hist. Soc. Colls.*, ii, 264–267, 274–275; Chalmers, *Opinions*, 395–397.

[2] McCrady, *S. C. under Royal Govt.*, 43.

[3] Josiah Quincy, *A Municipal History of the Town and City of Boston . . .* (Boston, 1852), 16–17; Thomas Hutchinson, *History of . . . Mass. Bay* (ed. 1765), i, 175; A. M. Davis, *Corps. in Col.*, 194, 202, 219, and references cited.

[4] *Stats. at Large* (Hening), iii, 419, 427.

[5] Dec. 17, 1708: *Md. Arch.*, xxvii, 232–234.

[6] Oct. 14, 1732: *N. Y. Col. Laws*, ii, 752–753.

[7] August, 1736: *Stats. at Large* (Hening), iv, 541–542.

[8] *N. C. Col. Recs.*, vi, 180, 194–196, 400, 443, 454, 486, 487, 495, 850, 913, 916, 1096, 1106, 1107, 1159, 1161, 1170, 1173, 1175, 1176, 1179, 1182.

Nearly three-fourths of this number were located in the middle colonies, chiefly in New York, New Jersey, and Pennsylvania. Except the short-lived Acomenticus or Gorgeana, none were to be found in New England. Almost all were incorporated by royal governors in the name of the crown, the few exceptions being mostly chartered by colonial proprietaries. Of the whole number sixteen or seventeen survived until the Revolution, the cause of dissolution of the others being chiefly, apparently in every instance, internal opposition to the charter.

In Maine, Pennsylvania, Delaware,[1] South Carolina, and Georgia no municipal corporations of any kind except those mentioned seem to have been erected during the colonial period. In the case of the other colonies, on the other hand, certain evidence points to the existence of towns which may have been corporations in the true sense — that is, legal persons, capable of maintaining a continuous existence despite changes in membership, capable of holding property separate from the property of their members, of suing and being sued and otherwise acting (by the aid of a "common seal") as a unit distinct from the personalities of their members, and empowered to make regulations, through their members or through persons chosen by them, for their government[2] — and yet which hardly deserve to be ranked with those already discussed. The line between the true corporations and those which are improperly so designated is exceedingly difficult to draw. Suffice it to say at the outset that the terms "incorporate," "corporation," "body politic," and "charter" are used in this connection both by contemporaries and by later writers with the greatest looseness; and that it is not always safe to infer that a town in connection with which such terms have been used actually possessed the characteristics of a legal corporation.[3]

We may pass over quickly the "bodies politic" which were created by solemn compact by the early settlers of Plymouth and several towns of Rhode Island and New Hampshire.[1] Whatever may have been the verbal usage or the expectations of the founders, such towns are clearly not to be classed as corporations in the accepted sense: for according to the law of the period, no corporation could come into existence without "lawful authority of incorporation;"[2] and no mere voluntary agreement, however solemn, could suffice to make a "lawful incorporation." [3]

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[1] Cf., however, *infra*, 66.

[2] Blackstone, *Commentaries*, i, 475–476.

[3] Among the papers presented before the Society for Political Inquiries, of Philadelphia, in 1787, was "An Essay on the Incorporations of Towns," by Mr. [Thomas?] Paine: *Hist. Soc. of Pa. Memoirs*, ii, 48 (1830). This might throw light on the question here presented, but I have been unable to find the essay.

The case of the towns of the Massachusetts Bay colony is somewhat more difficult. As we have seen, the solicitor of the Lords of Trade in 1774 put on record his opinion that the acts of the General Court, even under the colony charter, "for the constituting of townships," were an example of the exercise of the right to incorporate.[4] Yet with all due respect to Mr. Jackson's opinion, its accuracy is decidedly questionable.

In the first place, while the word "incorporate" or a derivative (though seldom "corporation") is occasionally to be found in the language of these acts, they do not specifically purport to create a "corporation" or "body corporate and politic," or to confer the privileges customarily accorded a corporation. The acts commonly do no more than describe the limits of the new town, specify the name by which it shall be known, and authorize the owners or inhabitants to manage their local concerns in a certain specified manner, and in some cases to send delegates to the General Court.[5] If this is incorporation, it would seem to be such only in the generic sense of the term, such as is well illustrated in the royal patent of 1629 to Sir Robert Heath:

"Know that we of our free grace . . . doe thinke fit to erect the sayd Region Territory & Isles into a Province & by the fulnes of our power & Kingly

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[1] See Plymouth compact in Hazard, *State Papers*, i, 119. For other examples, see *ibid.*, i, 486; *R. I. Col. Recs.*, i, 14 (Providence, 1636), i, 52 (Portsmouth, 1639), i, 93 (Newport, 1639); *N. H. Prov. Papers*, i, 126 (Dover, 1640).

[2] *Case of Sutton's Hospital* (1612), 10 Coke 29 b.

[3] A. M. Eaton maintains a view of corporations which enables him to say that "in Rhode Island . . . towns have always been corporations." He is obliged, however, to take issue with the theory of incorporation which prevailed throughout the entire colonial period. See his *Local Self-govt.* and *Origin of Munic. Incorp.* Cf. also Osgood, *Amer. Cols.*, i, 290–300, esp. 291.

[4] See *supra*, 28.

[5] For random examples of such acts, see *Mass. Col. Recs.*, i, 259, 291, iv, pt. i, 237, iv, pt. ii, 408–409; and *Mass. Prov. Acts*, v, 327, 329.

> Authority . . . , we doe erect & incorporate them into a province & name the same Carolina."[1]

It seems that contemporaries did not regard these towns as full corporations.[2] It is true indeed that the province charter of 1691 confirms all grants

> "which any person or persons or bodies politique or Corporate towns villages colleges or schools doe hold and enjoy or ought to hold and enjoy within the bounds aforesaid by or under any grant or estate duly made or granted by any general court formerly held"

in accordance with the earlier charter.[3] On the other hand, in 1694 the General Court passed an act "to enable Towns Villages and Proprietors in Common and Undivided lands, etc., to sue and be sued,"[4] — an action which, so far as the towns were concerned, would seem to have been unnecessary if the towns were corporations. Governor Bernard, writing to the Lords of Trade in 1762, said that up to that time only two corporations had been established by the General Court,[5] — a statement absurd if the towns were incorporated. And there is no unmistakable conferring of corporate powers upon these towns until 1785.[6]

The towns are perhaps best designated not as corporations, but as quasi-corporations, bodies which

> "although recognized by various statutes and by immemorial usage, as persons or aggregate corporations, with precise duties which may be enforced, and privileges which may be maintained by suits at law, are yet deficient in many of the powers incident to the general character of corporations."[7]

Thus Governor Hutchinson, who approved acts relating to towns, but doubted the expedience of permitting corporations to be created by act of the General Court,[8] wrote in his *History of Massachusetts:*

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[1] *N. C. Col. Recs.*, i, 7.

[2] Cf., however, *Wrentham Proprietors* v. *Metcalf*, Quincy's Reports, 36–37 (1763).

[3] Poore, *Charters and Consts.*, i, 948.

[4] *Mass. Prov. Acts*, i, 182–183.

[5] The *Boston Marine Society* (1754) and the *Society for Propagating Christian Knowledge among the Indians of North America* (1762): *ibid.*, iii, 708, iv, 520. Bernard evidently overlooked, for the moment, Harvard College, whose charter (1650) was not of recent origin.

[6] *Session Laws*, 1785, p. 611.

[7] *Rumford v. Wood*, 13 Mass. 193 (1816).

[8] See *supra*, 13.

> "Not only the town of Boston, but every town in the old colony, were *to many purposes*[1] a corporate body: they could sue and be sued, might choose their own officers for mânaging what they called the prudential affairs of the town, and the selectmen were judges of the breach of the bylaws of the town. . . ."[2]

Such bodies closely resembled, if they were not identical with, those known to the English law as "corporations of common right," or "corporations at the common law."[3] As the trustees of Yale College said in a petition to the assembly in 1717, referring to "Towns, Proprietors, Owners of Ships," etc.:

> " . . . these are not bodies corporate yet as yᵉ common law allows are *as it were*[1] incorporate to do some things without which they could not well manage."[4]

And it is in this category rather than in the category of complete corporations that the Massachusetts towns seem to belong; the emphasis should be placed on the qualifying clauses, "to many purposes," "as it were," and the like, rather than on the terms "incorporate" or "corporate body." In this conclusion the judicial authorities are in general, if not entire, accord.[5]

What was thus true of Massachusetts was true also of Maine, which was incorporated with the larger colony in 1652, and likewise of Connecticut.[6]

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[1] Italics mine.

[2] 2d ed., i, 175 n.

[3] E. H. Warren, in *Harv. Law Rev.*, xxi, 308; Anon., *Law of Corps.* (1702), 213.

[4] *Conn. MSS. Archives, Colleges and Schools*, i, 192: quoted by S. E. Baldwin, in "The Ecclesiastical Constitution of Yale College," *New Haven Hist. Soc. Papers*, iii, 412 (New Haven, 1882).

[5] *Rumford* v. *Wood*, 13 Mass. 193 (1816); *Hill* v. *Boston*, 122 Mass. 349–351 (1877) (Gray, C. J.); *Commonwealth* v. *Roxbury*, 75 Mass. 496–500 (1857) (Shaw, C. J.); *Bloomfield* v. *Charter Oak Bank*, 121 U. S. 129 (1887) (Gray, J.); Goodnow, *Comp. Admin. Law*, i, 172. Cf., however, Eaton, *Local Self-govt.*, *passim*, esp. 27, 122; *Boston* v. *Sears*, 39 Mass. 130 (1839) (Shaw, C. J.); and also Joel Parker, "The Origin, Organization, and Influence of the Towns of New England," in *Mass. Hist. Soc. Proc.*, ix, 14–63 (1866); Baldwin, *Priv. Corps.*, 266, and *Mod. Pol. Insts.*, 184; H. W. Rogers, "Municipal Corporations, 1701–1901," in *Two Centuries' Growth of American Law* (*Yale Bicentennial Series*, New York, 1901), 219.

[6] *Bloomfield* v. *Charter Oak Bank*, 121 U. S. 129 (1887) (Gray, J.). Cf. also *supra*, 62, and note 5. In 1705 Connecticut passed an act corresponding to the Massachusetts act of 1694: *Conn. Col. Recs.*, iv, 500–501. Rogers (*Munic. Corps.*, 227) seems to me to be in error in calling an act of 1639 (*Conn. Col. Recs.*, i, 36–39) a "general incorporation act."

In Rhode Island and New Hampshire slightly different conditions prevailed. In the former colony the first "charter" had been granted on petition of the towns, and in 1647 it was formally accepted by representatives of four of them.[1] One of the earliest general assemblies convened under the charter (1649) received a petition from the "freemen of the Towne of Providence" requesting "libertie to incorporate themselves into a body politicke."[2] After due deliberation the assembly voted to grant them (following the terminology of the colony charter)

> "a free and absolute charter of civill incorporation and government to be knowne by the [name of the] Incorporation of Providence Plantation in the Narragansett Bay, in New-England."[3]

Like the colony charter which it resembles, this document does not clearly purport to create a corporation. The terms "corporation," "body corporate and politic," and most of the usual formal phrases are lacking; and beyond the power to make the necessary local regulations to govern their town affairs — corresponding to the by-laws of a corporation — the only power commonly distinctive of a corporation which was specifically granted was the right to have a common seal. It is clear that the assembly intended to confer or confirm to the Providence settlers certain powers of local government, but it is by no means certain that they intended to create a municipal corporation; and it seems not improbable that the Providence charter was so phrased that this intention might be left uncertain — especially since, in the absence of any specific grant of authority to incorporate, the assembly's power to create a corporation was open to doubt. An act of May 3, 1682, confirmed these earlier grants, but did not more distinctly constitute the towns bodies corporate.[4]

It is said that Warwick, Portsmouth, and Newport — the other three original Rhode Island towns — were given by the assembly privileges similar to those of Providence, about the same time.[1] In 1669, after the new colony charter had been secured from Charles II (1663), Westerly was constituted the fifth town, with "all the rights, immunities, privileges and powers as other towns of this State generally have and enjoy." [2] Later towns were, in general, simply accorded privileges like those of their predecessors, without further ado.[3] In a few cases, however, especially in the next decade after Westerly was "incorporated," charters which may have been more definite seem to have been issued to new towns by the governor at the direction of the assembly.[4]

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[1] See *supra*, 40, and Eaton, *Local Self-govt.*, 570–573.

[2] This implies a desire to have some higher authority to validate the voluntary agreement formerly entered into, as mentioned *supra*, 60–61.

[3] *R. I. Col. Recs.*, i, 214–216.

[4] *R. I. Acts and Laws* (ed. 1730), 30–32; H. C. Dorr, *The Proprietors of Providence and their Controversies with the Freeholders* (Providence, 1897).

In New Hampshire, moreover, as early as 1693, the township of Newcastle was created a "town corporate" by a formal document given by the governor in name of the crown and under the seal of the province, which has some of the distinctive earmarks of a charter of incorporation.[5] This appears to have been a common method of establishing townships in that colony.[6] Some instances, however, of *acts* of incorporation appear; such, for example, as those for Rumford (1733) and Concord (1765).[7]

In New York the colonial records contain occasional mention of town corporations.[8] In the early days of New Netherland the Dutch governor, Kieft, granted a number of town charters. The earliest of these were issued to companies of English individuals who had made a settlement and formed an agreement.

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[1] Eaton, *Local Self-govt.*, 576–577.

[2] *R. I. Pub. Laws* (ed. 1798), 89. The preamble of this act adverts to "the power of his Majesty given to this assembly to order and settle towns, cities, and corporations, within this said jurisdiction, as shall seem meet," but the words of the charter do not literally warrant the inclusion of the "corporations."

[3] *Ibid.*, 92–100. Cf. 1730 acts relating to Smithfield, Scituate, and Gloucester: "erected and incorporated a Town, to be called and known by the name of ——."

[4] *Ibid.*, 89–92.

[5] *N. H. Prov. Papers*, ii, 107–108. Cf. *ibid.*, ii, 92–98.

[6] *Ibid.*, ii, 620, 672; *Pawlet* v. *Clark*, 9 Cranch (U. S.) 292 (1815). Cf. also George Hodges, *Holderness* . . . (Boston, 1907), 26; J. Q. Bittenger, *History of Haverhill, N. H.* (Haverhill, 1888), 36–39.

[7] Nathaniel Bouton, *The History of Concord* . . . (Concord, 1856), 141–143, 747–749; *N. H. Town Papers*, vols. xxiv–xxix.

[8] See, e.g., *N. Y. Col. MSS.*, xc, 72, xci, 85 (*Calendar*, 728, 737); *Council Min.*, xxv, 176, 461 (*Calendar*, 425, 459).

Such were Mespath (Newtown) (1642), Hempstead (1644), Flushing (1645), and Gravesend (1645). "The . . . charters gave the settlers power to form a 'bodye politique and ciuill combination' to which they, and their associates, heirs and successors were to belong," very much on the model of the New England town. Within a few years several charters were granted to Dutch towns, notably Brooklyn in 1646, and Flatbush, Beverwyck, Amersfoort, and New Utrecht before 1660. These established close corporations "modelled after the seventeenth century town-corporations of Holland."[1] The language of an act of 1691, which was passed to settle the uncertainties about privileges formerly granted, implies that there were other corporations besides the two cities of New York and Albany.[2] Here as elsewhere, however, it is unsafe to place too much reliance on such expressions. In New York, as in Massachusetts and Connecticut, the trend of judicial opinion has been to the effect that the colonial towns were quasi-corporations and no more.[3]

To this statement there is at least one possible exception. In 1672, while the province still extended to the borders of Maryland, the governor and council convened at Fort James "erected into a Corporacion by the name of a Balywick" the settlement at the head of Delaware Bay known as Newcastle, and established there a governing body composed of a bailie and six assistants.[4] Whether or not this was a true corporation, it apparently did not long survive.

In New Jersey, almost at the beginning of its history as a separate colony, the proprietary governor granted "charters" to the settlers at Bergen (1668)[1] and Woodbridge (1669),[2] which charters the Lords Proprietors later (1672) confirmed.[3] These documents refer to the settlements as the "Towne and Corporation of Bergen," the "Towne and Corporation of Woodbridge;" throughout the colonial period they are customarily spoken of as "the Corporation of Bergen," etc.,[4] and as such they were represented in the assembly.[5] On the other hand the charters contain none of the incorporation clauses which appear in the ordinary charters of incorporation of this period, and none of the general powers of corporations is specifically given.

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[1] Cf. esp. A. E. McKinley, "The English and Dutch Towns of New Netherland," in *Amer. Hist. Rev.*, vi, 1–18 (October, 1900).

[2] "That all the Charters, Patents, Grants, made . . . and . . . executed under the seal of this Province, . . . authorized by their late Majesties the Kings of England, . . . unto the several and respective Corporations of bodys politic of the Citys Towns and Manors . . . . shall forever be deemed . . . . authentic in the Law against their majesties. . . .": *N. Y. Col. Laws*, i, 224–225.

[3] Chancellor Kent, in *Jackson* v. *Schoonmaker*, 2 Johnson (N. Y.) 231 (1807); followed in *Jackson* v. *Cory*, 8 Johnson (N. Y.) 388 (1811); Goodnow, *Comp. Admin. Law*, i, 113. Cf., however, *N. Hempstead* v. *Hempstead*, 2 Wendell (N. Y.) 109, 134.

[4] *N. Y. Col. Recs.*, xii, 496–497; Scharf, *Hist. of Del.*, ii, 862. Cf. the city charter granted to Newcastle in 1724: *supra*, 56–57.

The historian of East Jersey says that Middletown, Shrewsbury, and Piscataway enjoyed similar "charters,"[6] and a draft of an agreement of Berkeley and Carteret with the Duke of York in 1669, contemplating an exchange of territory, mentions "the Corporations of Bergen, New Barbadoes, Newark, Elizabethtown, Woodbridge, Shrewsbury, Middletown and New Piscataway."[7] It has been asserted, though without good authority, that Perth Amboy was chartered under the proprietary government.[8]

Burlington and Salem, in West Jersey, are not infrequently referred to as corporations. Provision was early made by the assembly for holding fairs and markets there.[9] In 1682 it was enacted

> "that the town of Burlington, have liberty, and are hereby impowered, to chuse amongst themselves, some persons who have power to regulate the

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[1] *E. J. Records* (*MSS.*), *Deeds*, Liber I, 37–41: reprinted in *Charters and Acts Relating to Jersey City* (1844), 8–14.

[2] *E. J. Records* (*MSS.*), *Deeds*, Liber I, 51–56. The two charters are very much alike.

[3] *Ibid.*, 144. Despite the provisions in the "Concessions" (see *supra*, 16) the assembly seems to have had no part in this incorporation.

[4] Cf. *N. J. Arch.*, xxi, 8, 9, 18, 44, 46, 80, 87, 108; Leaming and Spicer, 328.

[5] *Ibid.*, *passim.*

[6] Whitehead, *East Jersey under the Proprietary Government* (ed. 1875), 48–49, 124.

[7] *Pa. Mag. of Hist. and Biog.*, v, 231–233 (1881).

[8] Gordon, *Gazetteer of N. J.*, 214. The twenty-four proprietors, who in 1680 succeeded to Carteret's title in East Jersey, suggested the village to Governor Lawrie as a fit subject for incorporation, in the hope of building it into a rival of New York; but he seems not to have followed the suggestion: Leaming and Spicer, 185; W. A. Whitehead, *Contributions to the Early History of Perth Amboy . . .* (New York, 1836), 50–53.

[9] Leaming and Spicer, 433–434, 446, 453–454.

> affairs of the town, in such matters as relate to fences, cattle, highways, and all such things, as usually fall within the compass of ourselves, in corporations in England."[1]

In 1693 power was given to the freeholders of the same town to elect annually a burgess or chief magistrate who, with the consent of a majority of the freeholders, should make orders and laws for the benefit of the town and appoint such subordinate officers as appeared necessary.[2] And a supplementary act of 1695 refers (apparently) to this and a corresponding act relative to Salem as "the late acts for incorporating the towns of Burlington and Salem."[3] Again, however, the phraseology of the act leaves room for doubt as to its precise intent and effect.

An item in the minutes of the provincial council of East Jersey implies that all the towns were regarded as corporations. The council argued, in objecting to a bill of the lower house giving towns certain powers "to make local and prudential orders," (1683) that

> "the Deputies calling those Agreem^{ts} Orders as they Doe in their Bill is imp'per, the word orders being not p'perly appropriable to agreem^{ts} of any Towne or Incorporated body of people, but only to the Councill Board and Courts of Justice — all other Determinac'ons in Townships are called By Lawes and so are agreem^{ts} this Day of all the Corporac'ons in England, so much as the great City of London."[4]

That this view did not prevail in West Jersey is indicated by the West Jersey assembly's act of 1697 erecting Fairfield into a township, which guaranteed it only "the same priviledges as any other townships in this Province . . . , that are not towns incorporate."[5]

It is clear, then, that the term "corporation" was applied to a number of New Jersey towns, which had received "charters" from the proprietary or proprietary governor or acts of privilege from the legislature. Perhaps they were thereby erected into full and complete corporations. I think it more probable that the term was used loosely, that the dignity of the privileges was exaggerated, and that the "corporations" in fact were no more than *quasi-corporations*.

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[1] Leaming and Spicer, 454. [2] *Ibid.*, 523–527. [3] *Ibid.*, 542–543.

[4] *Journal of Gov. and Council of E. J., 1682–1703*, p. 53.

[5] Leaming and Spicer, 556–557.

Under the royal government in New Jersey two charters were granted to towns other than the five boroughs and cities mentioned among the more pretentious municipal corporations. The first of these was apparently no more than a new charter for Bergen. We learn of it through "An Act for Confirmeing a Pattent granted by his Excellency Robert Hunter for the incorporation of the town of Bergen," which passed the legislature in March, 1713.[1] The second was granted by the same governor a month later to the inhabitants of Newark, who, after vain efforts beginning as early as 1677, had lately renewed their petition for a "Charter or Pattent of Privilidges."[2] Both of these apparently constituted genuine corporations, but neither set up the elaborate municipal government provided for the cities and boroughs. And no others of this type seem to have been granted.

In Virginia the term "corporation" was not infrequently applied to many of the earliest settlements, after the ill-fated city of Raleigh,[3] but it is not clear that the term had any special significance. Both in Maryland and Virginia there were repeated efforts, through a good part of the colonial period, encouraged or commanded by the royal authorities in England, which were directed toward the building of towns.[4] In only one instance, however, does incorporation seem to have been a feature of this policy. This was in the case of the last of the series of Virginia acts by which efforts had been made to create towns in wholesale fashion. Here provision was made that the elective officers, so-called "director and benchers" of the guild hall, who should be chosen in the sixteen towns for whose establishment the act provided, should be a "body corporate and politic," and the act specified the powers customarily enjoyed by corporations. Here at least was an attempt to create genuine municipal corporations. But this act, like the others of similar purpose, had no significant influence. Indeed it seems unlikely that any corporations traced their origin to it, since by its terms its operation was suspended for three years after its passage in 1705, and in 1710 a royal proclamation repealing it was published in the province.[1]

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[1] *N. J. Arch.*, xiii, 491, 504–505, 508, 541, 552; B. C. Taylor, *Annals of the Classis of Bergen* . . . (New York, 1857), 57, 61–62.

[2] *Newark Town Recs.*, esp. 123–124, 159, 283–286.

[3] See esp. Brown, *First Republic*, Index, title "Corporations."

[4] See instructions of Charles II to Governor Berkeley: Hazard, *State Papers*, ii, 607–608; and discussion in Bruce, *Econ. Hist. of Va.*, ii, 547–561; Blodgett, *Free Burghs*, 305–308; Wilhelm, *Local Insts. of Md.*, 102–108.

The common method, in these colonies, by which towns were actually laid out, established, and managed during their early years, was through the agency of a board of justices, commissioners, or trustees who acted by virtue of an act of the assembly; and in both colonies there were a number of special acts constituting such boards.[2] These boards were not as a rule incorporated. In fact apparently the only instance of such an incorporation appears in the case of Annapolis. The seat of government had been moved there from St. Marys, in 1694, and in 1696 the Maryland assembly passed an act incorporating certain influential men of the colony, including the governor and other officials, as the *Commissioners of the Porte and Town of Annapolis;* and to them it entrusted the control of the affairs of the new capital.[3] The town was thus managed until its establishment under Seymour's city charter in 1708.[4]

In North Carolina towns were first established either by order of the governor and council or by legislative act.[5] But while some of these, if not all, were given representatives in the assembly after the manner of the English boroughs, it is not clear that they were made corporations any more than were the Virginia "boroughs."[6] About 1754, however, most of the acts establishing both towns and counties were repealed by order of the crown authorities, and the governor was instructed "to confirm by Charters of Incorporation, all the Rights and Privileges derived to certain Towns and Counties" by the acts repealed. In 1755 this instruction was revoked, "at the humble request of the Assembly." Nevertheless in 1760 Governor Dobbs reported to the Lords of Trade that nearly all had applied for charters of incorporation, which he had granted; and that he had disallowed the writs of election for representatives in the assembly for those which had not sought charters, until he should receive instructions.[1] The letter in reply, dated June 13, 1760, took the governor to task for this action, saying:

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[1] *Stats. at Large* (Hening), iii, 404–419, esp. 411; Ingle, *Local Insts. of Va.*, 105–108.

[2] See *Md. Laws* (Kilty), 1724, c. 16; 1732, c. 6, c. 14, c. 15, c. 18, c. 21; *Stats. at Large* (Hening), iii, 56–59 (1691), iv, 234–239 (1727).

[3] *Md. Arch.*, xix, 498–504.

[4] See *supra*, 13–14, 58.

[5] See *N. C. Col. Recs.*, iv, 43, v, 61, 63, 65.

[6] Bath is said to have been incorporated in March, 1705: L. T. Rodman, *Pampticoe and Bath* . . . (Raleigh, 1907), 177. The published minutes of the council contain no reference to this, however, and an act of December, 1705, by which Bath County was divided into three precincts for election purposes, contains no suggestion of it: *N. C. Col. Recs.*, i, 629. Cf. *ibid.*, v, 302, indicating that no incorporation was effected.

> "As to granting Charters of Incorporation to those Towns, the acts for establishing of which had been repealed, it was meant only as a more regular mode of re-establishing in them those powers and offices of Corporations which had been taken away by the Repeal of the Laws . . ."

It further intimates that charters are not essential in view of the revocation of the former instructions.[2] Meantime in May, 1760, the two recalcitrant towns — Edenton and Newbern — and Halifax, a new one, applied to the governor and council for incorporation, with success.[3] Possibly others may have received similar charters. The incompleteness of the records available makes it impossible to ascertain accurately the significance of these "corporations," and whether they belong with the more pretentious or the less pretentious municipalities.

Such, then, from our narrow viewpoint, were the towns of the colonies: a few formally erected corporate municipalities with the titles of borough or city, as in the England known to the settlers; a considerable number of lesser units of local government, which in some cases clearly possessed corporate powers, but in the great majority of cases were doubtfully possessed of those powers, or were at the most properly to be regarded merely as quasi-corporations. It was not until after the Revolution that the practice became general to confer corporate privileges upon counties[4] and townships or upon their highest officials as such, and it is safe to say that in the colonies as a whole the true municipal corporation was decidedly an exception.

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[1] Letter of Feb. 28, 1760: *N. C. Col. Recs.*, vi, 226–229. Cf. also *ibid.*, 245, 288–289, 411, 559–560, v, 1111.

[2] *Ibid.*, vi, 262–263.

[3] *Ibid.*, vi, 333–334.

[4] In 1759–60 Governor Dobbs of North Carolina issued to the counties, at £10 each, some sort of "charters" which he considered requisite to enable them

Besides the municipalities there appeared in certain of the colonies a few other public corporations which were concerned either with education or with charity.

The first of these was provided for in an act of the Maryland assembly passed in 1696, which was in the form of a memorial to the crown urging that there should be established in the province, with powers and duties set forth in the act, a body corporate to be known as *the Rectors, Governors Trustees and Visitors of the ffreeschools of Maryland*. The act was disallowed because it did not reserve to the crown the right of visitation. None the less, the board came into existence and went so far as to establish the "King William School" in Annapolis in 1701, and in 1704, when the laws of the province were revised, this act was among those declared to be in force.[1]

In 1723 this policy was extended in Maryland by the creation, by simple act of assembly, of similar boards of visitors for each county, each board constituting a corporation;[2] and these continued throughout the colonial period.[3]

In 1718 the Pennsylvania assembly made provision for the building of workhouses and houses of correction in each county and "corporate town," and declared that the boards of administration, which were to be selected by and accountable to the justices of the peace, should be bodies corporate.[4] Apparently this act was not entirely effective,[5] and it is possible that none of these corporations was actually created. In 1749, however, new provisions of a similar nature were made for all of the townships, boroughs, and cities of the province,

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to be represented in the assembly; but it is not clear that they effected a legal incorporation: *N. C. Col. Recs.*, vi, 5–6, 226–229, 301–302. Cf. *ibid.*, viii, 215, for a "charter" to the town of Hillsborough (1770) which clearly did not create a true corporation.

[1] *Md. Arch.*, xix, 420–426, xxvi, 361–362; H. D. Richardson, *Side-Lights on Maryland History* . . . (Baltimore, 1913), 170–176; Scharf, *Hist. of Md.*, i, 352–354.

[2] *Md. Laws* (Kilty), 1723, c. 19; suppl. 1728, c. 8.

[3] Cf. esp. Edwin H. Brown, "First Free School in Queen Anne County," in *Md. Hist. Mag.*, vi, 1–15 (1911). This continued to 1791.

[4] *Stats. at Large*, iii, 167–171.

[5] See act of March 1, 1745–46: *ibid.*, vi, 31–38, 280–282.

the administrative boards being known as the "Overseers of the Poor."[1]

In 1768 the Maryland assembly incorporated "The Trustees of the Poor" in four of its counties, by an act resembling in general the act creating county school boards above mentioned;[2] and five years later the same provision was extended to two other counties of that province.[3]

Besides these there were several public corporations charged with administering public charity or correction which were established singly. In Bristol, Pennsylvania, the officers in charge of this function were in 1746 incorporated by the assembly as *The President, Treasurer and Assistants, of the Borough of Bristol.*[4] By an act of 1754 the New Jersey assembly incorporated a similar body with the title of *The Managers of the Poor-House of the Free Borough and Town of Elizabeth.*[5] In 1772 the Massachusetts General Court incorporated the *Overseers of the Poor in the Town of Boston. . . .*[6] And in 1773 a somewhat similar body was chartered by the Pennsylvania assembly as *the Commissioners for the County of Philadelphia.*[7]

In 1773, furthermore, the *Trustees of the General Loan Office of the Province of Pennsylvania*, first appointed by an act of March 2, 1722–23, were first incorporated.[8] As early as 1723 New Jersey, in her first act to emit bills of credit, provided for the incorporation, in each county, of "Commissioners of the Loan-Office" to administer the business. The later frequent acts on the subject often refer to the commissioners, but not to their corporate capacities, until 1774, when the statute repeats the provisions of the act of 1723.[9] There may have been similar bodies corporate in some other provinces.

If each of these bodies be counted, the number of public corporations of this type would be greater than that of the higher type of municipalities. Throughout the colonies as a whole, however, the officers performing such functions were generally unincorporated, and those which have just been mentioned are to be regarded as exceptions to the rule.

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[1] *Stats. at Large*, v, 79–86; altered March 9, 1771: *ibid.*, vii, 75–96.

[2] *Md. Laws* (Kilty), 1768, c. 29.

[3] *Ibid.*, 1773, c. 18, c. 30.

[4] *Session Laws*, 1746, pp. 44–53. This act apparently modifies the act of 1718 slightly with respect to this town.

[5] *N. J. Laws* (Allinson), 198.

[6] *Mass. Prov. Acts*, v, 177, 187.

[7] *Stats. at Large*, viii, 300–304.

[8] *Ibid.*, viii, 284–300, iii, 324–338.

[9] *Acts of N. J.* (Nevill), i, 103, 109; *ibid.* (Allinson), 419, 428.

The public corporations of colonial origin and charter comprise, then, a group of fairly pretentious municipal corporations, most in evidence in the middle colonies; a larger but much less distinct group of "corporate towns" (and, in the case of North Carolina, corporate counties), whose title to the term "corporation" is perfectly clear in but few instances; and a relatively small group of administrative boards charged with the oversight of public education, public charity, and the like, on behalf of local units of government, which were apparently confined largely to Pennsylvania and Maryland. The corporations of the first of these three groups were almost exclusively erected by royal governors or proprietaries; those of the second and third, for the most part by the colonial assemblies.

CHAPTER IV

PRIVATE CORPORATIONS WITH AMERICAN CHARTERS

THE private corporations of the colonies are to be distinguished from the public corporations chiefly by the prominent, if not exclusive, measure of private support and control. In law the two were not sharply differentiated; no broad distinctions appear in the form of the charters; and the advantages to the community in general were urged in requests for private grants as well as for public charters. Between different classes of private corporations, moreover, no lines were drawn, and it is only by an arbitrary division that we can single out groups of ecclesiastical, educational, charitable, and business corporations. But for the sake of clearness such an arbitrary classification may be justifiable.

The most numerous group of private corporations in the colonies comprises those which were concerned with religious worship. Of these there were, as in England, two distinct types, — the "corporation sole," consisting of a single person and his successors, and the "corporation aggregate," consisting of several persons and their successors; the latter of course being the type which to-day has almost the entire claim to the term "corporation."

In a few colonies, if not in all, the common law principle that the "parson" of the Established Church was a "corporation sole"[1] was in force. In South Carolina this was explicitly provided by general acts of 1704 and 1706.[2] A Georgia act of 1758 is equally explicit, although it relates only to a few specified parishes.[3] In Massachusetts substantially similar powers were conferred by an act of 1755 upon all the Protestant ministers of that province;[1] and although the term "corporation sole" is not mentioned in the act, the Massachusetts courts have held that it operated to create or confirm such corporations.[2] There is also judicial authority for the assertion that the same principle was clearly the law of New Hampshire,[3] and it may have been recognized generally in the colonies at least so far as the Established Church was concerned.

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[1] Blackstone, *Commentaries*, i, 469.

[2] *S. C. Stats. at Large*, ii, 239, 286.

[3] *The Colonial Records of . . . Georgia.* Ed. by Allen D. Candler (Atlanta, 1904–10), xviii, 258–272.

Furthermore, religious corporations aggregate were erected in several of the colonies. The first instance of this appears in New York. Under date of May 11, 1696, Governor Fletcher and his council granted a charter to the *Minister Elders and Deacons of the Dutch Protestant Congregation in the City of New York.*[4] A year later a like favor was extended by the same governor to Trinity Church (Episcopal) of the same city.[5] Bellomont, Fletcher's successor, thought the Dutch church charter, like that of Westchester,[6] "very extraordinary," and complained to the Lords of Trade that it amounted to "setting up a petty jurisdiction to fly in the face of government."[7] Nevertheless it survived his complaints and remained in force till supplanted by legislative charter after the close of the Revolution.[8] To the other charter Bellomont appears to have raised no objection, probably because it was given to a body within the Established Church. There was, however, some doubt as to its validity, and application was made to Governor Cornbury, in 1704, for a new charter. Acting with extreme caution, as we have seen, he refused to accede to the request on the score of lack of authority. Instead he recommended an act from the assembly confirming the rights originally granted, and such an act was duly passed and approved.[1]

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[1] *Mass. Prov. Acts*, iii, 778.

[2] *Weston* v. *Hunt*, 2 Mass. 500 (1807); *Brunswick* v. *Dunning*, 7 Mass. 447 (1811); cf. *Boston* v. *Sears*, 125 Mass. 125–126 (1839) (Shaw, C. J.).

[3] *Pawlet* v. *Clark*, 9 Cranch (U. S.) 334 (1815).

[4] Cited in ratifying act of Dec. 12, 1753: *N. Y. Col. Laws*, iii, 983–992.

[5] Cited in confirmatory act of April 17, 1784: *Session Laws*, 1784, pp. 42–44. Cf. Minutes of Vestry, 1697–1717, reprinted in part in *The Historical Magazine*, 3d series, i, 10–14 (1872).

[6] See *supra*, 52–53.

[7] Letter to Lords of Trade, Nov. 12, 1698: *N. Y. Col. Recs.*, iv, 426–427.

[8] *Session Laws*, 1784, p. 11.

In the course of the eighteenth century, churches of the Established faith were freely chartered by the royal governors of New York, apparently finding no difficulty in securing corporate privileges there.[2] By the end of the colonial period probably all, or nearly all, of this faith were incorporated.[3] A few of the Dutch Reformed denomination were also chartered, perhaps out of respect to a clause in the treaty of 1664 by which New Netherland had been surrendered to the English.[4] Other sects, on the other hand, — notably the Presbyterians, the French Protestants, and the Lutherans, — sought frequently but in vain for like advantages. The council was not especially opposed to the issue of such charters, but the English authorities, upon being consulted, sent back word (till near the close of the colonial period) that such encouragement to dissenters was unnecessary and inexpedient.[5] In 1775 this restriction by the home government was removed,[6] and the council minutes seem to indicate that at least one of these churches, the French Protestant at New Rochelle, somehow secured a charter even as early as 1762.[7]

In New Jersey the first ecclesiastical corporation was St. Mary's Church in Burlington (Episcopal), which almost succeeded in obtaining a charter from Lord Cornbury in 1704, and was at length chartered by Governor Ingoldesby in 1709–10.[8] St.

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[1] See petition in *Doc. Hist. of N. Y.*, iii, 409–410, and confirming act in *N. Y. Col. Laws*, i, 564–569. Cf. also *N. Y. Col. Recs.*, iii, 1114–1115, and *supra*, 11.

[2] Letter of Governor Colden to Lords of Trade, Dec. 7, 1763: *N. Y. Col. Recs.*, vii, 585–586; *N. Y. Council Min.* (*Calendar*, index: "Churches").

[3] An estimate made in 1789 of the New York churches in 1773 shows 21 Episcopal, 23 Dutch Calvinist, and 48 Presbyterian active: *Amer. Museum*, vi, 302 (October, 1789).

[4] See references in note 2, above; also Munsell, *Annals of Albany*, ii, 105–113, vi, 64; *Doc. Hist. of N. Y.*, iv, 362, 371.

[5] *N. Y. Col. Recs.*, vii, 585–586, 642; *Doc. Hist. of N. Y.*, iii, 460–465, 489–508. Cf. C. W. Baird, in *Mag. of Amer. Hist.*, iii, 593–628 (1879); Andrews and Davenport, *Guide*, 181, 182, 405.

[6] *N. Y. Col. Recs.*, viii, 573–574.

[7] *Council Min.*, xxiii, 403, xxv, 448 (*Calendar*, 407, 458).

[8] *N. J. Arch.*, xiii, 396; charter quoted in part in G. M. Hills, *History of the Church in Burlington* . . . (Trenton, 1885), 97–100. Confirmatory act of Nov. 17, 1784, in *Session Laws*, 126.

Peter's in Perth Amboy was chartered in 1718,[1] and at least one dissenting church, a Presbyterian in Monmouth County, received a charter (1734) before, in 1738, New Jersey was separated from New York.[2] The first royal governor of New Jersey, Lewis Morris, seems to have granted no charters, partly, it appears, for ecclesiastical reasons. Governor Belcher, however, who was the chief executive from 1747 to 1757, pursued a more liberal policy, perhaps because he himself was a Presbyterian. In his administration three Presbyterian and three Dutch Reformed churches were chartered;[3] and at least seven other similar charters, in these and other denominations, were issued by his successors.[4]

In Pennsylvania several church charters were granted by the proprietaries or their governors at least after 1760. Record remains of Swedish and German Lutheran churches of Philadelphia (1764, 1765), Presbyterian churches of Philadelphia and Carlisle (1772 and ?), a German Reformed church in Lancaster (1771),[5] and an Episcopal church in Philadelphia (1765).[6]

In the last few years before the Revolution a number of these corporations were erected in Rhode Island. Between 1769 and 1774 the "governor and company" incorporated the "Ministers, Churchwardens, Vestry, and Congregations" of Episcopal churches in Newport (1769) and Providence (1772);[7] three Congregational churches;[8] two "societies," — the *Benevolent Congregational Society* (1770) and the *Charitable Baptist Society*

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[1] Whitehead, *Perth Amboy*, 217–219.

[2] MSS. copy of charter among John Rutherfurd Papers, listed in *N. J. Hist. Soc. Proc.*, 2d series, iii, 171 (1874).

[3] *N. J. Arch.*, xvi, 221, 429; Nicholas Murray, *Notes . . . concerning Elizabethtown* . . . (Elizabethtown, 1844), 62–69; John Hall, . . . *Presbyterian Church in Trenton* . . . (New York, 1859), 154–155.

[4] *N. J. Arch.*, xvii, 380–381, xviii, 13, 25, 30, 520–521; Murray, *Eliz. Notes*, 129; *Pa. Mag. of Hist. and Biog.*, xxiv, 521–522 (1901); *Session Laws*, 1783, pp. 6, 25; S. A. Clark, *The History of St. John's Church, Elizabeth Town, New Jersey* . . . (Philadelphia, 1857), 88–96.

[5] Confirmatory acts in *Pa. Stats. at Large*, x, 82–90, xii, 244–250, 272–275, 496–499. The Lancaster church, at least, did not act under its charter.

[6] Perry, *Amer. Episcopal Church*, i, 660; G. H. Fisher, in *Pa. Mag. of Hist. and Biog.*, xxvii, 279 (1903).

[7] *Session Laws*, 1769, pp. 74–76; *ibid.*, 1772, pp. 71–73.

[8] *Ibid.*, 1771, pp. 31–35; *ibid.*, 1774, pp. 27–30, 73–78.

(1774), — which were organized for the support of public worship in certain churches of Providence,[1] and a similar *Catholic Congregational Society in the Town of East Greenwich* (1774).[2]

There were doubtless a few other incorporated churches in these colonies. Elsewhere, however, either south of Pennsylvania or in New England outside of Rhode Island, clear instances of incorporation for religious societies do not appear.[3] Certain substitutes for incorporation do, indeed, exist. In Maryland and Virginia, for example, there are numerous acts enabling church officials to hold property for certain uses.[4] In Pennsylvania general acts for this purpose were passed in 1712, 1730–31, and 1760, but these are said to have been as often repealed by the council.[5]

In Connecticut the religious "societies" were definitely authorized by acts of the assembly and enjoyed certain privileges of unified action, including the power to sue; but the acts providing for them bear none of the earmarks of acts of incorporation and it is not clear that the societies were so considered.[6]

In Massachusetts an act of the General Court passed in 1755 provided that the deacons, churchwardens, and other governing bodies of the several protestant churches should be

> "deemed so far bodies corporate, as to take in succession all grants and donations, whether real or personal, made either to their several churches, the poor of their churches, or to them and their successors, and to sue and defend in all actions touching the same." [7]

A few years later (1761, 1762) two special acts were passed by which, in the two parishes of Rehoboth, the "Committee of the precinct" was constituted a board of trustees for the parish and declared a body corporate for the special purpose of investing the funds of the parish and paying the income thereof to the parish minister.[1] It is, however, very much to be doubted whether these were true corporations. Neither Governor Bernard nor Governor Hutchinson seems to have regarded the acts as precedents for acts of incorporation. The bodies to which they gave new dignity should probably be regarded as quasi-corporations, or as common law corporations whose rights the General Court wished to define and confirm.[2]

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[1] *Session Laws*, 1770, pp. 64–68; *ibid.*, 1774, pp. 7–12.

[2] *Ibid.*, October, 1792, pp. 11–13, referring to the charter as granted August, 1774.

[3] The Maryland chancellor stated in 1829 (*McKim* v. *Odom*, 3 Bland Ch. 418) that there were no such corporations in that province. Cf. *Md. Hist. Mag.*, iv, 228–235 (1909), for petition (1774) not granted.

[4] *Md. Laws* (Kilty), 1727, c. 10, 1730, c. 9; *Va. Stats. at Large* (Hening), v, 76–77, 251, 390.

[5] *Pa. Stats. at Large*, ii, 424, iv, 208–211; *Session Laws*, 1760, pp. 90–93. Cf. *Case of Sarah Zane* (U. S. Circuit Court, Pa.), in Hazard, *Register of Pa.*, xiv, 322, 324 (1833).

[6] Cf. *Conn. Col. Recs.*, v, 552, vi, 33–34, 380–381, 427, vii, 74, 211.

[7] *Mass. Prov. Acts*, iii, 778, 818. The same act conferred corporate powers upon the ministers: *supra*, 75–76.

It would appear, therefore, that with the possible exception of Massachusetts, most of the colonial churches were not incorporated, at least as corporations aggregate; and that only in New York, New Jersey, and Rhode Island was the number of such corporations at all considerable in proportion to the whole number of churches.[3]

Besides the local churches two other types of ecclesiastical corporations are represented in the colonies. Mention has already been made of the missionary societies with English or Scotch charters and bases which had their chief field in America.[4] A similar organization with colonial membership and control was projected by some enterprising New Englanders, including the president of Harvard College and the promoter of Dartmouth. They succeeded in 1762 in securing an act incorporating them as *the Society for Propagating Christian Knowledge among the Indians of North America.*[5] In the following year, however, this charter was disallowed by the Privy Council on the recommendation of the Lords of Trade, chiefly on the ground that the corporation would carry on its operations beyond the limits of the province, and might interfere with the general policy of the crown toward the Indian tribes (!); and because, despite its extensive powers, it was subject to no public audit or control.[1]

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[1] *Mass. Prov. Acts*, iv, 463, 518–519, 542–543, 560.

[2] Letters to Lords of Trade: *ibid.*, iv, 562–563, v, 190. Cf., however, A. M. Davis, *Corps. in Col.*, 211.

[3] Baldwin's statement (*Priv. Corps.*, 273, 266) that these "were freely incorporated both by the royal governors and the colonial assemblies" seems too sweeping a generalization, although in all probability there were others besides those mentioned.

[4] *Supra*, 38.

[5] *Mass. Prov. Acts*, iv, 520–523, 560–564. Cf. Chase, *Dartmouth College*, i, 30–31.

The remaining ecclesiastical corporations might from one standpoint be classed rather as charitable corporations, or, from another, as insurance companies. Their most prominent representative was *The Corporation for the Relief of Widows and Children of Clergymen in the Communion of the Church of England in America*, on behalf of which charters were obtained, in 1769, from the royal governors of New York and New Jersey and from the proprietary governor of Pennsylvania.[2] Ten years before, the Presbyterians of Pennsylvania had secured a similar charter,[3] and in 1773, after considerable opposition on ecclesiastical grounds, their brethren in New Jersey were favored in the same way by Governor Franklin.[4] The next year Franklin incorporated a similar society in the Dutch Reformed church.[5] The second of these is still doing business in its narrow sphere, though in 1875 its title was changed to *The Presbyterian Annuity and Life Insurance Company*. The Episcopal corporation lost its New Jersey funds in the Revolution through the malfeasance of a loyalist treasurer. The New York and Pennsylvania funds were separated in 1797, and the Pennsylvania corporation still exists.[6] Elsewhere there were similar funds, but in no other instance, apparently, were corporate privileges secured.[7]

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[1] *Mass. Prov. Acts*, iv, 562–564. There seems to have been some uncomfortable experience, perhaps with the Presbyterian corporation next mentioned, which was at the moment in the minds of the Lords of Trade. Cf. also *The Society of the United Brethren for Propagating the Gospel among the Heathen*, formed 1740, incorporated Feb. 27, 1788: *Pa. Stats. at Large*, xiii, 12–15.

[2] *N. Y. Council Min.*, xxix, 312–334 (*Calendar*, 541–543); *N. J. Arch.*, ix, 341–342, xviii, 2–3; Perry, *Amer. Epis. Church*, i, 647–653; William Smith, *Some Account of the Charitable Corporation* . . . (2d ed., Philadelphia, 1770); J. W. Wallace, *A Century of Beneficence* . . . (Philadelphia, 1870); *Pa. Stats. at Large*, xi, 419–421 (1785).

[3] Baldwin, *Bus. Corps.*, 268; Briggs, *Amer. Presbyterianism*, cxii–cxviii; *N. J. Arch.*, x, 342, xviii, 277. Charter in *Address of the Corp.* (1827), 14–16.

[4] *N. J. Arch.*, xviii, 269, 276–278, 283–284, x, 339–360, 404, 407, 409.

[5] *Ibid.*, xviii, 520.

[6] Zartman and Price, *Readings in Personal Insurance — Life Insurance*, 77–80.

[7] See Evans, *Amer. Bibliog.*, v, 33, No. 13327, for mention of "trustees and subscribers to a fund for the relief of the poor widows and orphans of clergymen in Virginia," 1774; *ibid.*, iv, 317, No. 12406, "The Plan of a Society for making provision for widows, by annuities for the remainder of life; and for granting annuities to persons after certain ages," published in Boston, 1772; and *ibid.*, v,

Next in numerical importance to the ecclesiastical corporations stand those which were formed for charitable or educational purposes. In the formation and control of these institutions the influence of religion and the church was indeed frequently present. The church was interested in having an educated ministry; hence it was natural that schools and colleges should be founded with a view to providing educational facilities, and that the clergy should have a prominent, or even a dominant, voice in their management. The church organization was commonly charged with the administration of charity as well as the inculcation of its importance; hence it was to be expected that in some communities the parish vestry should be the body incorporated to administer bequests for founding schools for the poor.[1] Considering, however, the purpose in view as the basis of classification, it is permissible to designate as educational or charitable corporations those which were entirely composed of ministers or ecclesiastical officials.

The line between the charitable and the educational corporations is even more difficult to draw. There were orphan schools, for example, like the pet project of George Whitefield in Georgia, which he wished to have erected into "Bethesda College;" [2] *The South Carolina Society*, formed in 1738, which was incorporated by the assembly in 1751 for "erecting, endowing, and supporting proper schools and almshouses, for the maintenance of poor and helpless orphans;" [3] and the *Win-yaw Indico Society*, incorporated for a similar purpose in the same province in 1757.[4]

27, No. 13283, "Rules and orders for establishing a fund of charity, for the more effectual relief of such members of the most ancient and honorable society of Free and Accepted Masons, their widows and orphans . . . ," published in Boston, 1774. (For this society, see title in Evans, *Amer. Bibliog.*, iv, 310, No. 12345.)

[1] See, e.g., the case of the vestry of St. Thomas' Parish, Berkeley County, South Carolina, incorporated in 1736 by the South Carolina assembly: *S. C. Stats. at Large*, iii, 431–436.

[2] Perry, *Amer. Epis. Church*, i, 662–665; Whitefield to B. Franklin, Jan. 21, 1768, in *Franklin Papers* (Univ. of Pa.), 1, 12 (*Calendar*, 400); *A Letter to His Excellency Governor Wright, Giving an Account of the Steps taken Relative to the Converting the Georgia Orphan-House into a College. Together with the Literary Correspondence That Passed upon That Subject, between His Grace the Archbishop of Canterbury and the Reverend Mr. George Whitefield* (Charles-Town, 1767). The last two I have not consulted.

[3] *S. C. Stats. at Large*, viii, 106–107.

[4] *Ibid.*, viii, 110–112.

Alongside of these distinctly charitable enterprises there were also a number of "free schools" or "charity schools," established largely on private foundations, which were certainly not wholly "charitable" in nature. One of the earliest of these,[1] since known as the William Penn Charter School, was established in Philadelphia in 1689, given a corporate charter in 1697 or 1698 by the governor and council, as *The Overseers of the publick schoole founded in Philadelphia, at y^e request, costs & charges of the people of God called Quakers*, and in 1701, 1708, and 1711 charters by William Penn.[2] The Massachusetts General Court, in 1756, incorporated *The Feoffees of the Grammar School of the Town of Ipswich*, to administer a private bequest in the interest of public education there.[3] Somewhat similar were *The Trustees of the Free Schools of the Town of Woodbridge*, incorporated by the governor of New Jersey in 1769;[4] and the "Trustees and Governors" of *Peasley's Free School* (1756) and of *Eaton's Charity School* (1759), which were incorporated by the Virginia assembly;[5] as well as the "academy and charitable school" chartered in 1753 in Philadelphia, out of which the University developed.[6] *The Union School in New London*, incorporated by the Connecticut assembly in 1774, was probably another of the same general nature.[7]

There were some private charitable institutions with corporate charters, however, which were not concerned with education. Perhaps the first of these, as well as one of the most important, was incorporated by the Pennsylvania assembly in 1750 as *The Contributors to the Pennsylvania Hospital*, "for the relief of the sick poor of this province."[8] Similar societies were to be found in other provinces. Thus in 1769 the South Carolina assembly chartered for the same purpose *The Fellowship Society*, which had been in existence as a voluntary association since 1762;[1] and in 1771 the governor of New York granted a charter to *The Society of the Hospital of the City of New York in America*.[2]

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[1] The historian of the Roxbury Latin School (J. E. Greene, in *Amer. Antiq. Soc. Proc.*, New Series, iv, 348–366), established 1645, says that the General Court *incorporated* its "feoffees" in 1670; but the records hardly warrant such a construction: *Mass. Col. Recs.*, iv, pt. ii, 431, 444, 455–457.

[2] *Pa. Col. Recs.*, i, 531–533; Proud, *Hist. of Pa.*, i, 343–345.

[3] *Mass. Prov. Acts*, iii, 891–893, 951–953, iv, 806.

[4] *N. J. Arch.*, xviii, 1, 6.

[5] *Stats. at Large* (Hening), vii, 41–43, 317–320; Bruce, *Institutional Hist. of Va.*, i, chap. 7.

[6] See *infra*, 86.

[7] *Conn. Col. Recs.*, xiv, 382.

[8] *Stats. at Large*, v, 128–131; Hazard, *Register of Pa.*, ii, 90–100 (1828); F. R. Packard, in *Founders' Week Memorial Volume* (F. P. Henry, ed., Philadelphia,

In 1766, moreover, the Pennsylvania legislature entrusted the bulk of the municipal charity of Philadelphia to a somewhat pretentious private corporation entitled *The Contributors to the Relief and Employment of the Poor in the City of Philadelphia.* With considerable public "encouragement," this body remained the responsible agency for this work till near the close of the Revolution.[3]

The most important of the colonial educational institutions were the colleges, of which no less than nine with corporate charters were in existence at the outbreak of the Revolution.

The first of these, founded in 1636, was incorporated as the *President and Fellows of Harvard College* in 1650, by act of the Massachusetts General Court. When the validity of this charter was brought in question by the annulment, in 1684, of the colony charter under which it had been granted, persistent efforts were made to secure a new charter. It was found impossible, however, to obtain, either in England or in Massachusetts, a charter which would satisfy the college, the provincial, and the English authorities; and the uncertainty was finally quieted by a resolve of the General Court in 1707 which declared that the act of 1650, not having been "repealed or nulled," should remain the basis of the rights of the college.[4] Even then some in-

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1909), 593–612. It is worthy of remark that the proprietors, besides subscribing to this undertaking, proffered a charter in their own names, "which the managers," says Hazard, "declined accepting, on account of some objectionable clauses and considering the incorporation of the assembly as the best that they could have."

[1] *S. C. Stats. at Large*, viii, 112–114. Cf. Evans, *Amer. Bibliog.*, for three colonial editions of its rules.

[2] *N. Y. Council Min.*, xxix, 370, 403 (*Calendar*, 548, 550); *N. Y. Col. Laws*, v, 367–368; Anon., *An Account of the New-York Hospital* (New York, 1811).

[3] *Stats. at Large*, vii, 9–17, ix, 357–359, x, 401–406; Roland G. Curtin, in *Founders' Week Memorial Volume* (F. P. Henry, ed., Philadelphia, 1909), 422, 427, 429.

[4] Quincy, *Hist. of Harvard Univ.*, chaps. 4–6, 8; *Catalogue of Harvard Univ.*: "History and Government," reprinting relevant documents; Andrews and Davenport, *Guide*, 117.

fluential members of the community who had the college interests at heart regarded its status very insecure "for want of an Incontestible Charter;"[1] but it was never disturbed.

The College of William and Mary, with its royal charter of 1693, has already been discussed.[2] The third in the New World, eventually known as Yale College, was established in 1701 with the modest title of "collegiate school," and provided with a governing board of "undertakers" simulating the form of a business partnership. Later acts increased its powers, and in 1745, when the danger of the loss of the colony charter had diminished and the confidence in the practical power of the assembly to incorporate had increased, the first corporate charter of the college — which was also the first corporate charter granted by the Connecticut assembly — was issued.[3]

In this same year (1745) a body of Presbyterians in New Jersey sought to obtain from Governor Lewis Morris a charter for a college in that province. He refused, probably on ecclesiastical grounds.[4] After his death in 1746, however, a charter was obtained from the acting governor, Hamilton, and steps were taken to establish the college.[5] The validity of this charter was called in question and it may not have been entirely satisfactory to the grantees.[6] In 1748, accordingly, Governor Belcher, late of Massachusetts and a zealous Presbyterian, issued a new charter which remained the legal basis of the "College of New Jersey" as it developed into Princeton University.[7]

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[1] Cotton Mather to Benjamin Colman, March 6, 1724-25, in *Diary of Cotton Mather, 1681-1724* (Boston, 1911-12), ii, 810.

[2] See *supra*, 45-46.

[3] *Conn. Col. Recs.*, iv, 363-365, ix, 113-118; Baldwin, *Yale College;* Trumbull, *Hist. of Conn.*, ii, chap. 12; and see *supra*, 21-22.

[4] J. Maclean, *History of the College of N. J. . . .* (Philadelphia, 1877), i, 31, 34, 42; J. DeWitt, *Historical Sketch of Princeton University* (New York, 1898), 334-335. Morris was a zealous Episcopalian, and had been chief justice in New York when the governor and council there refused a charter to the Presbyterian church of New York City, in accordance with the orthodox policy which was there in vogue. Cf. *supra*, 77.

[5] *N. J. Arch.*, xii, 331, 386, xvi, 81.

[6] Maclean, *Coll. of N. J.*, i, 49-51; *N. J. Hist. Soc. Proc.*, 2d Series, xiii, 174 (1895).

[7] *N. J. Arch.*, xvi, 81; Fisher, *N. J. as Royal Prov.*, 384-391; DeWitt, *Princeton Univ.*, 218-220; *Session Laws*, March 13, 1780, Nov. 20, 1786, May 27, 1799.

The other five colleges of the colonial period were all chartered in the two decades between 1750 and 1770. The University of Pennsylvania traces its origin to the "academy and charitable school" incorporated in 1753, by the governor and council, with the special approval of the proprietors; to which school, by a new charter issued two years later, power was given to grant degrees and the right to be called a "college" was extended.[1] Columbia University grew out of the institution commonly called "King's College," to which the governor's charter of 1754 had given the corporate title of *The Governors of the College of the Province of New York in the City of New York.*[2] Brown University was the outgrowth of a college incorporated by the "Governor and Company" of Rhode Island, in 1764, with the name of *Trustees and Fellows of the College, or University, in the English Colony of Rhode Island, and Providence Plantations, in New England, in America.*[3] In 1766 a second college in New Jersey was established, under Dutch Reformed auspices, and chartered by Governor Franklin with the title of "Queen's College," now Rutgers.[4] Finally, in 1769, the earnest endeavors of Eleazar Wheelock on behalf of an Indian school — endeavors which had extended over a decade in time and in space from New York through New England to old England — were rewarded by the incorporation, by authority of the royal governor of New Hampshire, of Dartmouth College.[5]

In nearly every colony, therefore, is to be found at least one corporate educational institution, operating under charter from the crown direct, from royal governor, or from assembly. Delaware, North Carolina, and Georgia alone are exceptions to the rule.

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[1] T. H. Montgomery, *A History of the University of Pa.* . . . (Philadelphia, 1900), esp. 177–179, 209–211; *Pa. Laws* (Dallas), i, 814–821.

[2] Anon., *Historical Sketch of Columbia College*, 205–224; and Cf. C. H. Levermore, "The Whigs of Colonial New York," in *Amer. Hist. Rev.*, i, 240–244 (1896).

[3] R. A. Guild, *Early History of Brown University* . . . (Providence, 1897), 510–549.

[4] *N. J. Arch.*, xviii, 24; Fisher, *N. J. as Royal Prov.*, 384–391; D. D. Demarest, in Murray's *Hist. of Educ. in N. J.*, 287–293; *Session Laws*, May 31, 1799, p. 518 (confirmatory act).

[5] Chase, *Dartmouth College*, esp. i, 1–114, 639–648; McClure and Parish, *Memoirs of Rev. Eleazar Wheelock*, 25; John M. Shirley, *The Dartmouth College Causes* . . . (Chicago, 1905), 21–23, 27.

Business corporations which were colonial both in origin and in activity were few, and on the whole of no great importance. Only as the colonial period drew to a close did several come into existence, and even these were hardly typical of present-day business corporations.

If the "Free Society of Traders in Pennsylvania" be excluded because of its English origin and charter,[1] *The New London Society United for Trade and Commerce* in Connecticut (1732–33) probably deserves to be called the first American business corporation.[2] Even in this case the title is not entirely clear. The company was indeed a distinctly Connecticut institution, both in its origin and in its act of authorization; and whether its purposes actually included the carrying on of trade as well as the issue of bills of credit, its business nature is obvious. The only doubt arises on the question whether it was really made a corporation. As we have seen, when the question of overtly incorporating it was presented to the assembly, particularly in 1733, that body decided that it had not the authority requisite to incorporate such a "society;" and when the company pleaded that it was a "fraternity" and not dissolvable, the assembly denied the plea. The act of authorization certainly bestowed many of the attributes of a corporation, but its terminology is not absolutely convincing. And the early demise of the company makes a final statement as to its "corporateness" impossible.

The second business corporation of Connecticut was concerned with a New Haven enterprise — like the first educational corporation of the state. For a commercial seaport adequate wharfage was as essential as good roads for inland towns. Numerous wharves were early built, but one, known usually as "Union Wharf" or "Long Wharf," stood out preëminent and encouraged local capitalists to "a constant succession of failures" in getting it put into and kept in serviceable shape. Late in 1731 the assembly

> "Voted, that so many of the proprietors of the town as incline to do so, shall have free liberty to give what money they please, so far as shall be needed towards the building of the wharf, to the extent of three, four, or five hundred pounds."

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[1] *Supra*, 41–45.

[2] *Supra*, 22–25.

In 1736 a new set of proprietors commenced work energetically, and by Nov. 11, 1738, "the Wharf extended into the harbor almost *twenty-six rods*," and an undivided twentieth share in it was sold at the rate of £530 for the whole. The earliest regular record of the company, dated February, 1745, indicates that it was still necessary to "carry on said wharf with the utmost expedition." In 1748 it yielded a revenue of £181 14s. 1d., but this and later income was invested in its extension. Despite all this investment, in 1752 half a right, or one-twentieth, would not sell for £20. At last, after a period of discouragement and inactivity, during which the owners had increased in number but not in strength, a few of the more hopeful proprietors secured a charter from the assembly, May 22, 1760, as *The Union Wharf Company of New Haven.* As a corporate body the company continued its career of feverish industry alternating with discouraged inactivity. The historian of the wharf cannot find that up to 1799 "any dividends had ever been paid to the owners of the wharf. Every dollar of its earnings had been expended toward repairing the wharf and in its extension." [1]

A similar company, *The Proprietors of Boston Pier, or the Long Wharf in the Town of Boston in New England*, was chartered by the Massachusetts General Court in 1772.[2] Its history, prior to and after incorporation, was not greatly different from that of the New Haven company.

The business corporation with colonial charter which was of the greatest lasting significance was a mutual insurance company, formed in 1752, which was incorporated by the Pennsylvania assembly Feb. 20, 1768, as *The Philadelphia Contributionship for the insuring of Houses from Loss by Fire.*[3] There seems to have been no expectation of direct pecuniary gain on the part of the "contributors," but the present custom of counting mutual insurance companies among business corporations may justify its inclusion here. The company prospered, and until the year 1786 was without a rival in Philadelphia. Alone of the colonial business corporations it has had a continuous existence to the present day.[1]

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[1] *Conn. Col. Recs.*, xi, 400–401; Thomas R. Trowbridge, "History of Long Wharf in New Haven," in *New Haven Colony Hist. Soc. Papers* (New Haven, 1865), i, 83–103. The charter is cautiously worded, like that of the New London Society.

[2] *Mass. Prov. Acts*, v, 200–202, 262–263; *Mass. Centinel*, March 18, 1789.

[3] *Pa. Stats. at Large*, vii, 178–181; *Pa. Col. Recs.*, ix, 566. Confirmed by the king in council, March 6, 1769.

Apparently the only other business corporations of the colonies were companies for supplying water. As early as 1652 the Massachusetts General Court voted that certain specified inhabitants of Conduit Street, Boston, "shall be a corporation, and incorporated into one body or company," to provide water for daily use in their families and to secure their properties from danger by fire. The proprietors were to elect annually two of their number to be "wardens or masters of the said waterworks for the ensuing year;" and these wardens were virtually managers of the whole business on behalf of the company. Other proprietors of lands on the same street or elsewhere were to be permitted to enter the corporation, with the consent of the wardens and company, and on condition of paying their reasonable share of the expense. This body, like the preceding one in being a mutual company, has not been mentioned earlier because, in spite of the phraseology quoted above, it lacked a corporate name, which was one of the formal requisites for adequate incorporation. It never accomplished the objects intended.[2]

In 1772 and 1773 three such water supply companies were chartered by the Rhode Island assembly. These were called "fountain societies," — respectively, "Field's" and "Rawson's" in Providence and "Cooke's" at East Greenwich.[3] The first of these had built by contract, in the summer of 1772, a wooden aqueduct three-fourths of a mile long, conveying fresh water to "that Part of Providence called the Point;" and despite the expense the proprietors felt well repaid at being the "first in English America who ever attempted and effected an

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[1] Baldwin, *Bus. Corps.*, 264, 267; Scharf and Westcott, *Hist. of Phila.*, iii, 2114–2115; and Essay IV, chap. 5.

[2] *Mass. Col. Recs.*, iv, pt. i, 99–100; A. M. Davis, *Corps. in Col.*, 202; N. B. Shurtleff, *Topographical and Historical Description of Boston* (3d ed., Boston, 1891), 399–403.

[3] *Session Laws*, May, 1772, pp. 8–11, October, 1772, pp. 55–57, October, 1773, pp. 76–78.

Affair of this Nature. . . ."[1] The other companies doubtless sprang up in imitation. The first two, at least, survived the Revolution;[2] they cannot, however, have been notably successful.

The charters definitely convey all the customary general powers of corporations. Provision is made for the annual election of necessary officers, always including a committee charged with "the whole ordering and management of every matter and thing respecting said works." Power is given to dig in the highways to lay aqueducts and pipes. The necessary funds for general expenses are to be met by assessments, and the individual members were permitted to convey the water from the main aqueducts to their houses or manufactories at their own expense. It is not clear that the original intention was to furnish water to other persons than the members themselves, or that direct pecuniary profit was anticipated; but these were certainly within the powers of the proprietors.

It is possible that an exhaustive search of the colonial records would reveal other examples of business corporations,[3] but the number would still be small. Even the demand for such charters seems to have been relatively slight. Perhaps the following examples from New Jersey history may be regarded as typical suggested or solicited grants of corporate privileges which did not materialize.

In May, 1740, Benjamin Smith, representative from Hunterdon County, prayed the assembly for leave

> "to bring in a Bill to establish two Trading Companies, to make them Bodies Politick and Corporate, in Succession, the one to be held at *Burlington*, and the other at *Amboy*, and enable them to carry on a Foreign Trade, by making current Twenty Thousand Pounds of Paper Money for their Use, to continue the full Term of Ten Years."[4]

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[1] See statement and resolutions, signed by Nathanael Greene, Secretary, in *Providence Gazette*, Aug. 29, 1772.

[2] Cf. act of Sept. 10, 1787, declaring the charter of *Field's Fountain Society* fully operative, despite omission of the meeting of May, 1785: *R. I. Recs.*, x, 252–253. Staples, *Annals of Providence*, 620–622; *Providence Gazette*, Sept. 7, 1793.

[3] Hood, *Index of Corps.* (N. J.), 161, 164, refers to two concerned with ferries, at Egg Harbor and Gloucester; but a glance at the acts of assembly cited makes it obvious that in neither case did a corporation exist.

[4] *N. J. Votes of Assembly*, 1740, p. 31.

The plan was to secure subscriptions payable in the course of ten years, taking mortgages on lands and buildings as security, and to have the province issue to each company the £20,000 in bills of credit redeemable within the ten years. The bill was deliberated upon and even printed, "for the consideration of the Members and their Constituents, until some future Assembly of this Province;" [1] but it never was further considered. In 1759, again, when Governor Bernard was urging upon the New Jersey assembly the expediency of cementing the friendly relations lately established with the Indians by making provision for a well-regulated trade with them, he wrote:

> "This trade . . . may be either managed by commissioners on account of the province,[2] or by an incorporate company on a joint stock with an exclusion of private traders." [3]

But the danger of Indian hostilities soon passed, and the recommendation was not acted upon.

Alongside of these corporations, and indeed preceding them, were a large number of unincorporated associations, partnerships, societies, groups of "undertakers," "companies," formed for a great variety of business purposes. Certain of these have been spoken of as corporations. Many were popularly or even formally designated "companies;" several of them secured from the assemblies more or less substantial privileges; and, especially in the case of the drainage associations of Pennsylvania and New Jersey, elaborate acts were passed defining their mode of organization and activity. But in the eye of the law all of them were probably mere partnerships or tenancies in common. Corporate privileges for business purposes were so uncommon in the colonies that without fairly definite and reliable data the presumption must be against their existence. Mention may be made of some of these to reveal the forerunners of the business corporation.

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[1] *N. J. Votes of Assembly*, 1740, pp. 41, 47, 58–59; Whitehead, *Perth Amboy*, 301–302.

[2] This method seems to have been pursued in Virginia: see *Stats. at Large* (Hening), viii, 114–118, for an act of October, 1765, establishing *The Trustees of the Indian Factory of Virginia*. Cf. also *Mass. Prov. Acts*, iii, 6, 642, for method used in that colony. Cf. *infra*, p. 96.

[3] *N. J. Arch.*, xvii, 219–223.

Fishing and whaling companies were numerous. Usually they were not joint stock companies in the ordinary sense, but such as Crèvecœur described in his *Letters from an American Farmer:* "They have no wages; each draws a certain established share in partnership with the proprietor of the vessel; by which economy they are all proportionately concerned in the success of the enterprise, and all equally alert and vigilant."[1] Of this nature, in all probability, were two whale-fishing ventures centering early in Elizabethtown, New Jersey, which in 1668 and 1678, respectively, secured certain monopoly privileges by grant of the governor for a term of three years;[2] and several companies established at Philadelphia as early as 1687.[3] It was a typical joint stock company, with £10 shares, however, that was set on foot in New York in January, 1675, and given recognition by the council.[4]

There were a number of mining companies, chiefly for producing iron or copper. One of the earliest was the *Undertakers of the Iron Works*, near Lynn, Massachusetts, formed in 1642 by John Winthrop, Jr., and Robert Bridges, with the aid of British capital.[5] In 1660 another "company" was at work similarly at Concord.[6] A company was formed in 1679, largely by Bostonians, to work a lead mine near Northampton, Massachusetts. In a few years work was abandoned, to be resumed by a New York company in 1765, succeeded in 1768 by a Boston company headed by William Bowdoin.[1] The *Principio Company*, composed chiefly of British merchants, iron masters, and other capitalists, erected iron works near Port Deposit, Maryland, about 1715 and was active and, with interruptions, fairly prosperous up to the Revolution.[2] The *Patapsco Iron Works* near Baltimore, founded 1731, with a capital in 1764 of some £50,000 and an output of £400 sterling, continued even after the war.[3] New Jersey iron mines near Trenton attracted attention in the 1720's and were worked with English capital. About 1760 the Andover mines were in use. In 1764 Peter Hasenclever, a German merchant, formed a company in London, imported some five hundred German miners, and opened iron mines at Charlottenberg, Ringwood, and Long Pond, New Jersey.[4]

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[1] Letter VI.

[2] *East Jersey Recs.* (*MSS.*), *Deeds*, Liber III, 22, 152; Whitehead, *East Jersey* (ed. 1875), 255; Hatfield, *Elizabethtown*, 128–129.

[3] Letters to Penn, 1685, 1687, in *Pa. Mag. of Hist. and Biog.*, ix, 75 (1885), iv, 453 (1878).

[4] This is cited as the first American business corporation in editor's note, *N. Y. Col. Recs.*, iii, 234, and Baldwin, *Bus. Corps.*, 259; but the fact of incorporation is not clear. Apparently the only record of it in the Council Minutes, which would regularly include mention of the granting of a charter, is the following entry under date of Jan. 10, 1674 (i.e., 1675):

"Upon proposall of Settling a Fishery in these Parts; It is resolved, That y^{e} best way will be, to be by a Company, and ten pound to be a share: And Subscriptions made between this present tim . . . y^{e} 2^{d} day of february next to be admitted, Up . . . which day a generall Meeting is to bee, of . . . ubscribers, to choose Officers and Sett . . . e all things relateing to the said Fishery a . . ." *N. Y. Council Min.*, iii, pt. ii, 10. (The MS. was mutilated in the Albany capitol fire, 1911.) Cf. also the articles of association in *N. Y. Col. MSS.*, xxiv, 67 (*Calendar*, 34); and Van Rensselaer, *Hist. of the City of N. Y.*, ii, 219.

[5] *Mass. Col. Recs.*, ii, 61–62, 81–82, 103, 125–129, 185–186, and index to later volumes; *Mass. Hist. Soc. Proc.*, 2d series, vii, 12–17 (1892); *Mass. Hist. Soc. Colls.*, viii, 36–37; Nathan M. Hawkes, in *Mag. of Amer. Hist.*, xxii, 404–410 (1889); E. P. Robinson, in *Essex Inst. Hist. Colls.*, xviii, 241–254 (1881). The colony act of 1645 has been called, erroneously, a "charter."

[6] *Mass. Col. Recs.*, iv, pt. i, 429.

What has been called "the first incorporated mining company . . . in the United States" was formed in 1707 to work copper ores discovered at Simsbury (East Granby), Connecticut, about 1700. An act for its encouragement was passed by the colony in 1709, considerable capital secured from London and Holland, and work was carried on intermittently for some sixty years.[5] As early as 1730 Robert Carter and sons, with Mann Page, were endeavoring to work a copper mine in Virginia.[6] About 1748–50 a copper mining company leased lands and began work near New Brunswick, New Jersey; and about 1768 the Schuyler mine near Belleville, where the first steam engine in America was soon set up, was opened.[1] A royal charter was drafted, but probably not secured, for a *Lake Superior Mining Company* concerned chiefly with copper, in 1771–72.[2]

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[1] J. R. Trumbull, *History of Northampton* . . . (Northampton, 1898), i, 359–369.

[2] W. G. Whitely, in *Pa. Mag. of Hist. and Biog.*, xi, 63, 190, 288 (1887); Andrews and Davenport, *Guide*, 118–119; *Md. Laws* (Kilty), April, 1782, c. 44.

[3] Rowland, *Charles Carroll of Carrollton*, i, 23, 64, 92, 143, 203, ii, 73–75, 100, 171.

[4] William Nelson, in *Pa. Mag. of Hist. and Biog.*, xxxv, 228–243 (1911); J. W. Miller, "The Iron State," in *N. J. Hist. Soc. Proc.*, 1st series, vii, 75–78 (1853). Cf. also J. F. Tuttle, in *N. J. Hist. Soc. Proc.*, 2d series, vi, 148–173 (1880); E. J. Halsey, *History of Morris County*, chaps. 7–9; and Acrelius, *New Sweden*, 164–170.

[5] McMaster, *History*, i, 99; Trumbull, *Hist. of Conn.*, ii, chap. 2; N. H. Egleston, in *Mag. of Amer. Hist.*, xv, 321–334 (1886); *Conn. Col. Recs.*, v, 104–105, 154, 455–458, vii, 339; *Talcott Papers*, i, 357, ii, 185.

[6] *Va. Mag. of Hist. and Biog.*, vi, 13–18 (1898).

Joint stock companies for manufacturing were less common, but still existed in several instances. By almost invisible gradations they merge into a group of societies to promote useful economic ends and, perhaps incidentally, serve charitable purposes. Examples of the earlier type are the *Undertakers of the Glass Works*, formed in Massachusetts about 1642,[3] a paper mill company in Pennsylvania, about 1706,[4] and a saw mill company in Centerdale, Rhode Island, about 1750.[5] Toward the end of the colonial period, if not earlier, flour milling companies appear, at least in Rhode Island.[6]

Several of the wider sort may be mentioned briefly. In 1748 some £2300 was subscribed by Boston citizens, in £50 and £100 shares, to promote the linen manufacture. No results were immediately achieved. In 1750, however, the *United Society for Manufactures and Importation* was formed for the same purpose and began manufacturing linen. The next year the *Society for Encouraging Industry and Employing the Poor* was organized. To it, in 1753, the General Court voted £1500 "to encourage the Manufacture of linnen," and for its use erected a "Manufactory House." [7] In New York a *Society for the Promotion of Arts, Agriculture, and Economy* was formed late in 1764, "To advance husbandry, promote manufactures, and suppress luxury," and especially to establish the linen manufacture. Several hundred pounds were subscribed and paid in. The minimum subscription was 20s., the minimum for a vote £5. The society planned holding "monthly conventions" and the bestowal of premiums.[8]

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[1] Nelson, "Josiah Hornblower," in *N. J. Hist. Soc. Proc.*, 2d Series, vii, 175–247 (1883); Acrelius, *New Sweden*, 170–171; Gordon, *Gazetteer of N. J.*, 10–11; Stephen Wickes, *History of the Oranges*, 60; *N. J. Arch.*, ix, 318–321; *Session Laws*, 1782, p. 77.

[2] Andrews and Davenport, *Guide*, 184.

[3] *Mass. Col. Recs.*, ii, 137, iii, 48.

[4] H. G. Jones, "Rittenhouse Paper Mill," in *Pa. Mag. of Hist. and Biog.*, xx, 315–333 (1896).

[5] F. C. Angell, *Annals of Centerdale* . . . (Centerfalls, R. I., 1909), 21.

[6] *Session Laws*, 1773, pp. 76–78.

[7] Bagnall, *Textile Industries*, 28–38.

[8] *Ibid.*, 52–54; *Doc. Hist. of N. Y.*, iv, 344–345; Rutherfurd, *Family Records*

About 1764 a joint stock company, apparently of a purely business nature, with £100 shares, was formed "for erecting and carrying on a LINEN MANUFACTORY, in or near the city of Philadelphia," with a view "to import the *brown* linens of Europe to be bleached here for the supply of our markets." Its members announced themselves, however, as "desirous of encouraging the poor."[1] In 1770 the American Philosophical Society set on foot a subscription for promoting the culture of silk in America, considerable sums were raised ("near a thousand pound . . . . in a few days"), and a society formed, and a grant of £1000 secured from the assembly. Something was done before the war interrupted.[2] In 1775 the *United Company of Philadelphia for Promoting American Manufactures* was formed, with shares of £10, planning to invite manufacturers from Europe, give employment to the poor, and erect additional barriers to the encroachments of tyranny, by establishing manufactories of woollen, cotton, and linen. This continued bravely, despite the outbreak of hostilities, manufacturing chiefly linens. In April, 1777, a manager reported some £5000 capital employed, and each share having a book value of £17 6s. 6d.[3]

Banking institutions were represented notably by the "Bank of Credit Lumbard" promoted in Boston by John Blackwell and authorized by the General Court in 1686,[4] and by the "Land Bank or Manufactory Scheme" in the same colony in 1739–41.[5]

There were a few insurance companies. Thus in October, 1757, Thomas Willing (later president of the Banks of North America and the United States) and five other merchants formed the partnership of Thomas Willing & Co. to underwrite policies of marine

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and Events, 117. Cf. Evans, *Amer. Bibliog.*, iv, 145, No. 11008; John Adams, *Life and Works*, ii, 235 n, 252.

[1] Bagnall, *Textile Industries*, 51; stock certificate dated Feb. 19, 1766, printed in *Pa. Mag. of Hist. and Biog.*, xii, 500 (1889). Cf. Coxe, *View of the U. S.*, 18–19, and Evans, *Amer. Bibliog.*, iv, 31, No. 10134.

[2] A. Mackraby to Sir Philip Francis, May 4, 1770, in *Pa. Mag. of Hist. and Biog.*, xi, 493–494 (1888); *Pa. Stats. at Large*, x, 474–475 (April 15, 1782).

[3] Bagnall, *Textile Industries*, 63–72; *Amer. Museum*, v, 175–177, 265–267, 581–584 (1789); White, *Samuel Slater*, 48 n.

[4] Eliason, *Rise of Banking in U. S.*, 10–11. The statement here made that this was "the first chartered bank in the colonies" is misleading.

[5] A. M. Davis, *Mass. Bay Banking*, chap. 7.

insurance, their preamble reciting that "the Insurance of Vessels and Merchandize has proved a great Encouragement to Trades, and that by Companies is most secure to the Insurer. . . ." A year later Robert Morris took the place of a retiring partner. No capital was contributed, and policies were issued on the joint credit of the members. Hence incorporation was unnecessary.[1] Fire *fighting* companies were numerous at least in Pennsylvania,[2] and existed in several other colonies;[3] but these cannot be considered business associations.

For the Indian trade a number of companies were formed and others projected. Among the active ones were two "free companies of adventurers" in Massachusetts, 1644 and 1645,[4] and a Virginia company which early in the eighteenth century "by opening a Trade Settled a good correspondence with the Southern Indians."[5] Among those merely proposed were ones in Pennsylvania (1707)[6] and New Jersey (1759).[7] Most important among these was the Ohio Company, which also was a land company. It has frequently been called a corporation, with a crown charter; but I have been unable to verify these statements. It was a joint stock company with twenty shares and originally as many members, formed by Thomas Lee of Stratford, Virginia, and John Hanbury of London, and composed of Virginians and Londoners. A grant of five hundred thousand acres of land between the Monongahela and Kanawha was secured from the crown March 16, 1749. Cargoes of goods were sent out, a fort built, and a few families settled. It was not prosperous, and the outbreak of the French and Indian War killed its prospects, all persons concerned being heavy losers. George Mercer went to London in 1763 and remained six years vainly endeavoring to wind up its affairs, which were not finally settled till after the war.[1]

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[1] Thomas H. Montgomery, *History of the Insurance Company of North America* . . . (Philadelphia, 1885), 23–24.

[2] Table of those in Philadelphia, showing twelve established before the Revolution (the Union first, in 1736), in Hazard, *Register of Pa.*, viii, 110. See J. W. Jordan, "The Fellowship Fire Company of Philadelphia, organized 1738," in *Pa. Mag. of Hist. and Biog.*, xxvii, 472–481. For others in Lancaster and Germantown, see *ibid.*, iii, 469 (1879), xviii, 429–448 (1895).

[3] For mention of two in Newport, see *R. I. Imprints . . . 1727–1800* (Providence, 1915), 12–13. Evans (*Amer. Bibliog.*, ii, 165, No. 3749) mentions as printed in 1734 the laws of the society first incorporated, Sept. 30, 1717, "for mutual aid in case it should please almighty God to permit the breaking out of fire in Boston (where we live)." The word "incorporation" is here loosely used.

[4] *Mass. Col. Recs.*, ii, 60, 138; A. M. Davis, *Corps. in the Colony*, 195–197; Hazard, *State Papers*, ii, 19–20; Winthrop, *Journal*, i, 231, 322–323.

[5] Council Proc., 1717–18, in *Va. Mag. of Hist. and Biog.*, iv, 364–376 (1897); Andrews and Davenport, *Guide*, 327.

[6] Proud, *Hist. of Pa.*, i, 432–433.

[7] See *supra*, 91.

There were numerous other land companies, large and small.[2] This was the nature of the *West Jersey Society*,[3] the *Cape Fear Company* and the *Corporation of Barbados Adventurers* of early Carolina,[4] and the *Frankfort Company* of early Pennsylvania.[5] A *Pennsylvania Land Company* was involved in litigation in 1706.[6] There were *The Proprietors of the Kennebec Purchase from the Late Colony of New Plymouth* (1753) and several other Maine land companies.[7] The *Susquehanna Company* was a Connecticut organization formed in 1753, which made a large purchase from the Indians and sought in vain a crown charter confirming the grant and incorporating them.[8] The *Mississippi Company*, of which Washington was a member, petitioned in 1768 for a 2,500,000 acre grant between 38° and 42°.[9] Not long before the Revolution an *Indiana Land Company* secured a large tract of land in what is now West Virginia.[10]

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[1] Washington, *Works* (Sparks), ii, App. VI, 478–483; Franklin, *Works* (Sparks), iv, 302–373, esp. 336; Kate Mason Rowland, "The Ohio Company," in *William and Mary College Quarterly*, i, 160–168 (1893); *Mag. of Amer. Hist.*, vi, 298 (1881); *Va. Mag. of Hist. and Biog.*, xii, 159–163 (1904); Mrs. Corra Bacon-Foster, *Patomac Route*, 9, 12, 16.

[2] For local companies, see Mead, *Conn. as a Corporate Colony*, 72–73, and Edward Channing, "The Narragansett Planters," in *Johns Hopkins Univ. Studies in Hist. and Pol. Sci.*, 4th series, ii, 109–127 (Baltimore, 1886).

[3] See Tanner, *Province of N. J.*, *passim*, and J. R. Stevenson, in *N. J. Hist. Soc. Proc.*, 3d series, vi, 129–136 (1909).

[4] *N. C. Col. Recs.*, i, 36–42, 57–59.

[5] Pennypacker, *Settlement of Germantown*, chap. 2; *Pa. Mag. of Hist. and Biog.*, xv, 205–211 (1891), reprinting the articles of agreement.

[6] Andrews and Davenport, *Guide*, 167; Evans, *Amer. Bibliog.*, i, 328, No. 2502 (arbitration proceedings, July 31, 1723); Council Minutes, in *Pa. Col. Recs.*, ii, 160.

[7] Robert H. Gardiner, in *Maine Hist. Soc. Colls.*, ii, 276, 287, 293.

[8] *Pa. Arch.*, 2d Series, xviii, esp. 13, 22, 32–33, 36–37, 45; *Conn. Col. Recs.*, x, 378; Trumbull, *Hist. of Conn.*, ii, chap. 24.

[9] Andrews and Davenport, *Guide*, 183.

[10] W. F. Lewis, in *Pa. Mag. of Hist. and Biog.*, xiv, 218–219 (1890). Shares were £1 each.

In the nature of a development company was the twenty-one share *Great Dismal Swamp Company*, which in 1762 took up forty thousand acres in the richest part of the swamp and worked, albeit not very effectively, at the task of reclaiming the land, till the burning of Norfolk by the British.[1]

There were also a number of associations for erecting bridges, building or repairing roads, and improving navigation of small streams or rivers. These are often hardly to be regarded as business associations, but rather as groups of subscribers for a local public benefit which they were given some power to manage and control. An early instance of this is a company authorized in 1700 to build a toll bridge in Pennsylvania.[2] More typical are two Pennsylvania acts of March, 1771, appointing commissioners to receive voluntary subscriptions and apply them to the improvement of navigation of the Delaware and Lehigh rivers, and other commissioners to apply similar subscriptions to opening a road from Reading to the Susquehanna.[3] Such acts were numerous toward the end of the colonial period, from Pennsylvania to South Carolina, and constitutes important forerunners of the most numerous class of business corporations in the period after the Revolution.[4]

Lotteries were frequently authorized to supplement voluntary subscriptions. In some instances, also, associations were formed to receive subscriptions and apply them to such purposes, and received authority from the legislatures to collect on promises made. In some cases tolls were even permitted. But a search of the colonial statutes has revealed no instance of a highway company incorporated for the pecuniary benefit of the proprietors;[1] and the attitude of the promoters of such companies after the Revolution indicates that the idea of business corporations in this field was a novel one.

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[1] See Essay IV, chap. 3. Washington owned two of its twenty-one shares and valued them in 1793 at about £5000. Washington, *Works* (Ford), xiv, 300.

[2] *Pa. Stats. at Large*, ii, 124–126, iv, 35–37. [3] *Ibid.*, viii, 32–36, 56–58.

[4] Essay IV, chaps. 3, 4. Cf. also Thomas Jefferson, *Notes on Virginia*, Query XV: "The inhabitants of the county are . . . laid off into precincts, to each of which they [the county courts] allot a convenient portion of the public roads to be kept in repair. Such bridges as may be built without the assistance of artificers, they are to build. If the stream be such as to require a bridge of regular workmanship, the court employs workmen to build it, at the expense of the whole county. If it be too great for the county, application is made to the general assembly, who authorize individuals to build it, and to take a fixed toll from all passengers, or give sanction to such other proposition as to them appears reasonable."

A semi-public corporation for such purposes was, however, constituted by act of the New Jersey assembly June 20, 1765, by the name of *The Trustees of the Road and Ferries from Newark to the Road leading from Bergen Point to Paulus Hook* (later Jersey City).[2] The corporation consisted of a self-perpetuating body of nine trustees. To them was entrusted the duty of putting and keeping in good condition this difficult part of the highway between Philadelphia and New York; and to this end they were empowered to receive donations and to take tolls and rentals, subject to regular accountability to a county board of review.[3] In 1776 they were invested with the perpetual title to the ferries over the Passaic and Hackensack rivers along this route.[4] The corporation remained in existence at least until 1815, but after the completion of the bridges over these rivers in 1795 the ferries became of no importance and the corporation, though under protest, virtually became a nonentity.[5]

In the same category with the highway companies there were, at least in New Jersey and Pennsylvania, a number of associations of neighboring landowners, which were organized in accordance with legislative act to undertake at common expense the draining, diking, or otherwise improving of the lands owned by the members in severalty. After the Revolution several of these were incorporated, but no instance of this sort appears prior to the war.[6]

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[1] L. B. Parsons, in his *History of the Town of Rye, N. H.* (Concord, 1905), 73–74, tells of a toll bridge constructed by a corporation in that town, in 1759. I have been unable to verify the statement and doubt whether the builders were incorporated.

[2] *N. J. Arch.*, xvii, 396, 403–404, 409; *N. J. Laws* (Allinson), 276.

[3] For the organization of this board, see *N. J. Laws* (Allinson), 24; *ibid.* (Nevill), 32. It was utilized for a variety of purposes, notably to hold to account officials or commissions charged with building courthouses and gaols.

[4] *N. J. Laws* (Allinson), June 28, 1776, p. 14.

[5] *N. J. Assembly Minutes*, May 31, 1790, p. 29, Oct. 31, Nov. 5, 1805, pp. 392, 400, 1814–15, p. 196; *N. J. Session Laws*, Nov. 24, 1790, pp. 685–692; Atkinson, *History of Newark*, 153. Some of the trustees became stockholders in the Passaic and Hackensack bridges near Newark. See Essay IV, chap. 4.

[6] See references in Baldwin, *Priv. Corps.*, 271, and John Hood, *Index of Laws (N. J.), 1702–76*; Crèvecœur, *Letters from an American Farmer*, XI. The last writer

A few other colonial corporations, hardly to be classed as ecclesiastical, charitable, educational, or business corporations, remain to be mentioned.

In several colonies incorporated libraries antedated the Revolution. One of the earliest of these was the *Library Company of Philadelphia*, formed in 1731 and incorporated by proprietary charter in the spring of 1742.[1] The *Union Library Company* of Philadelphia was chartered in 1759, after an existence of several years. Ten years later it was merged into the earlier company.[2] Another early one, *The Company of the Redwood Library*, was chartered in Rhode Island in August, 1747.[3] In South Carolina, in 1754, *The Charlestown Library Society*, which had been organized six years before, was the subject of an act of incorporation.[4] In 1757 and 1765 two "library companies" were chartered by the royal governors in New Jersey, for Burlington and Bridgetown (Mt. Holly).[5] *The Juliana Library Company in*

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speaks of them as incorporated, and they are so indexed in the *Pa. Stats. at Large;* but the acts show that they cannot be regarded as corporations. Defoe describes the English forerunners of these organizations in his *Essay on Projects* (1694), under the head of "Friendly Societies."

Baldwin remarks: "These were really public agencies, created on account of the interest of the state in regulating the use of the land and water shared in by many under separate titles." This statement seems to me to convey an erroneous impression. The "companies" were essentially private, voluntary associations; they dealt only with their own members and with those with whom they contracted to make or maintain the improvements agreed upon; and they were accountable to no outside or public authority. They differed in essentials from an irrigation or reclamation commission appointed by the state to carry out comprehensive plans for such improvements and cannot properly, it seems to me, be regarded as more than private associations possessing certain privileges of common action conferred by the legislature.

[1] See esp. S., "Notes for a History of the Library Company of Philadelphia," in Hazard, *Register of Pa.*, xvi, 201–208 (1835).

[2] *Pa. Mag. of Hist. and Biog.*, xxiv, 488–489 (1910); Evans, *Amer. Bibliography*, iii, 89, No. 7295. The Association Library and the Amicable of the same city seem not to have been incorporated, and both were likewise merged with the Library Company of Philadelphia before 1775. Evans, *Amer. Bibliography*, iv, 32, No. 10137; Hazard, *Register of Pa.*, xvi, 204.

[3] *Session Laws*, 63–67. A new charter of October, 1790, was granted at the request of the corporation: *R. I. Recs.*, x, 399–401. Cf. Mason, *Reminiscences of Newport*, 260–264.

[4] *S. C. Stats. at Large*, viii, 107–110. Like most of the South Carolina acts of incorporation, this was subject to royal approval before going into effect.

[5] *N. J. Arch.*, xvii, 140–141, 379, 381; Evans *Amer. Bibilography*, iii, 189, No. 8096.

Lancaster was chartered in Pennsylvania in 1763 by the proprietaries or their governor.[1] And in 1772 *The Trustees of the New York Society Library* were chartered, probably by the governor of New York, after having been active for at least fourteen years.[2]

There were also a few "marine societies," which had been formed for the purpose of bringing together the "mariners" of a particular port with a view to increasing the common stock of knowledge in matters of navigation and serving as an organization for mutual aid. Three such societies were incorporated by the Massachusetts General Court, at Boston (1754),[3] Salem (1772),[4] and Marblehead (1773);[5] and one in New York City was chartered by the governor and council of that province (1770).[6] *The Fellowship Club*, of Rhode Island, formed in 1752 and chartered in 1754, was of the same nature.[7] A similar society was formed in Newburyport, Massachusetts, in 1772, but not incorporated till 1777.[8] Similar, but slightly more specialized, was *The Society for the Relief of Poor and Distressed Masters of Ships, their Widows and Children*, organized in 1765 and incorporated by the Pennsylvania assembly in 1770.[9]

A number of similar organizations did not secure corporate powers, at least in colonial days. Such were *The Carpenters Company* of Philadelphia, formed in 1724

> "for the purposes of obtaining instruction in the science of architecture and assisting such of their members as should by accident be in need of support or the widows and minor children of members . . . ,"[10]

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[1] Confirmatory act of 1782 in *Stats. at Large*, xi, 107. Cf. Evans, *Amer. Bibliography*, iv, 59, No. 10350.

[2] Charter confirmed by act of Feb. 18, 1789, in *Laws* (ed. 1887), iii, 59–60. Cf. Evans, *Amer. Bibliog.*, iii, 205, No. 8217.

[3] *Mass. Prov. Acts*, iii, 708–709, 744.

[4] *Ibid.*, v, 179–180, 190–191; *Laws of the Marine Society, at Salem . . . as amended, and agreed upon, July 29, 1784* (Salem, 1784), giving complete list of members, 1766–83.

[5] *Ibid.*, v, 295–296.

[6] *N. Y. Council Min.*, xxix, 365, 379 (*Calendar*, 547–548); *Mag. of Amer. Hist.*, vi, 231 (1881), referring to recent anniversary.

[7] *R. I. Records*, x, 113, giving a renewal of the charter (1785).

[8] W. H. Bagley and O. O. Jones, *History of the Marine Society of Newburyport . . .* (Newburyport, 1906), 1, 5, 18–19.

[9] *Pa. Stats. at Large*, vii, 341–346; cf. *ibid.*, x, 91–97. A similar society "for the Relief of Distressed and Decayed Pilots, their Widows and Children" was formed in 1788 and incorporated in 1789: *ibid.*, 387–392.

[10] *Pa. Stats. at Large*, xiii, 501–504.

which was incorporated in 1790; and a musical *St. Cecilia Society*, of Charleston, S. C., formed in the fifties but first incorporated in 1784.[1] In 1766 or 1767 Dr. Morgan applied to the proprietor for a charter incorporating a medical society he had organized in Philadelphia, but none was issued, probably because of personal dissensions among the physicians of the city.[2]

Somewhat more important, especially in view of its later development, was a "society of merchants" which was formed in New York City in 1768, with the name of *The New York Chamber of Commerce* and with the purpose of

> "promoting and encouraging commerce, supporting industry, adjusting disputes relative to trade and navigation, and procuring such laws and regulations as may be found necessary for the benefit of trade in general."

In 1770 the society found no difficulty in persuading the governor to grant a charter of incorporation,[3] and it thus became probably the first incorporated Chamber of Commerce in the world.[4] Three years later the assembly showed its confidence by making the Chamber a grant of £200 per annum to be administered in premiums "for the encouragement of a fishery on this coast, for the better supplying the markets of this city with fish."[5] The published records of its early years show that even before the Revolution it led an active existence, and, like but few of its contemporary corporations, it has maintained that existence uninterruptedly to the present day. There was at least one other colonial Chamber of Commerce in Charleston as early as 1774,[6] but no other seems to have been incorporated.

Finally it may be remarked that the military companies organized in Rhode Island, in especially large numbers on the eve of the Revolution, have some of the earmarks of corporations. They petitioned for "charters of incorporation." They were given perpetual succession; they were empowered to make rules and orders for their government; they were given a formal "company" name; and they were authorized by a "charter" issued by the governor in accordance with an act of the assembly, which charter was properly signed and sealed. The question of their legal status does not appear to have been passed upon, but it would seem that a strong argument might have been made to prove them genuine corporations, despite the fact that the acts do not specifically so call them.[1]

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[1] *S. C. Stats. at Large*, viii, 124–125.

[2] William Smith to Thomas Penn, May 14, 1767, in *Pa. Mag. of Hist. and Biog.*, xxxi, 453–455 (1907).

[3] J. A. Stevens, *Colonial Records of the New York Chamber of Commerce, 1768–1784* . . . (New York, 1867).

[4] Baldwin, *Bus. Corps.*, 265, counts this a business corporation. It was of course an association of business men, but in no other sense could it be called a business corporation. Baldwin's doubts as to its American origin seem to be groundless, and his question as to the validity of its charter, because it was sealed with the provincial seal, is answered by the fact that all the charters granted by royal governors were sealed with the provincial seal.

[5] *N. Y. Col. Recs.*, viii, 453.

[6] Evans, *Amer. Bibliog.*, v, 16, No. 13194, lists its "Rules," published MDCCLXXIV.

There were, then, in the colonies private corporations representing a considerable number of different types, alongside of unincorporated associations more numerous and varied. Most of the incorporated bodies, it will be noted, were engaged in promoting ends which appeared to be of general public utility. This is true whether we consider the churches, which were so important elements in the social fabric of the day, the schools and hospitals, mutual benefit societies like the marine societies or the insurance and water supply companies, or even the most business-like of the business corporations. There are hardly any to be found which were so thoroughly "private" as probably the majority of corporations in the present day. Yet it is not without significance that so many, of so many different aims, should have arisen in the colonies as private undertakings and been carried on under private control.

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[1] The first appears to have been chartered Feb. 1, 1741 — a Newport artillery company. See act of August, 1792 (*Session Laws*, 6–7), reviving; and Mason, *Reminiscences of Newport*, 283–288. D. H. Greene, *History of the Town of East Greenwich . . . 1677 to 1877* (Providence, 1877), chap. 14, gives the charter and narrates the activities of the Kentish Guards (1774). See also *Session Laws*, 1744, p. 39, 1755, p. 63, 1756, p. 66, 1774, pp. 36–39, 94–107, 121–148. Cf. J. S. Popkin, in *Mass. Hist. Soc. Proc.*, 2d Series, i, 250–251 (1884), for mention of Massachusetts companies. The so-called Ancient and Honourable Artillery Company of Boston, formed 1637, applied for a charter of incorporation and is sometimes called a corporation, but the legislative grant is not equivalent to an act of incorporation. Cf. O. A. Roberts, *History of the Military Company . . .* (Boston, 1895), esp. i, 9–11.

CHAPTER V

Conclusion

The foregoing review of corporations in the American colonies is not exhaustive. The opinions arrived at, particularly on such matters as the status of the lesser corporate towns and the power of incorporation in the charter colonies, are confessedly subject to revision. Further investigation will bring to light other corporations, probably even other types of corporations, than those to which reference has been made. Nevertheless a few general facts are clear from the study.

The right to incorporate, though seldom explicitly delegated to colonial proprietaries, governors, or assemblies, was exercised by all of these without significant interference from the crown, often with its sanction and encouragement; and even where there is no express delegation of this power, a possible legal sanction for the possession of it by all of these colonial authorities is not difficult to argue except in the case of the "charter colonies," where it was actually exercised with caution till near the close of the colonial period.

Most of the corporations active in America during the colonial period originated and were chartered in America by the authorities here. There were indeed a dozen or more which acted here under charters obtained in England. One of these, incorporated by proprietary charter on the eve of the departure of the proprietor's expedition for the province, and thenceforth almost wholly American, is hardly an exception to the general rule. Three — the missionary societies — drew their chief resources of funds and laborers from the British Isles and were accordingly almost under the necessity of keeping their bases there rather than in America. The majority of this dozen were either the original colonizing undertakings or had to do with the government of an established colony, and for such it was obviously inevitable that the corporate privileges should be obtained from the supreme fountain of authority. The only significant exception to the rule of colonial incorporation for colonial corporations is that of the College of William and Mary. There seems to be no particular reason why it should have been granted a royal charter when similar endeavors on behalf of Harvard, Princeton, Bethesda, and Dartmouth failed; the outcome must be attributed to an unusual concourse of generally favoring circumstances.

Charters were almost invariably granted on petition of the parties interested. In North Carolina, however, Governor Dobbs forced charters upon towns and counties which were more than willing to get along without them; and in the case of certain other towns, notably Charles City (Charleston, S. C.) and Trenton, the charters were not desired by the majority of the inhabitants.[1]

The corporations chartered, while few when judged by twentieth century standards, were by no means negligible in number; and they were, moreover, fairly representative. Public and private corporations of various types are included in the list. The business corporations, indeed, were for the most part of a decidedly elementary type; but the others, whether public (cities and towns, school and poor boards) or private (ecclesiastical, educational, charitable, social), represent classes of corporations as familiar and important in our day as in colonial days; and while differences appear in details of organization and administration, the purposes served and the general way of serving them are not dissimilar.

A few further observations are warranted by the facts which the survey has disclosed.

First as to the distribution of the corporations. Here we sacrifice little in disregarding the corporations sole and the corporations aggregate with English charters. The rest, by all odds of chief importance, were scattered widely through the colonies; Georgia alone seems to have had none. But the distribution was far from uniform. Apparently no *private* corporations were chartered in Maine, Delaware, Maryland, and North Carolina, although each of these colonies contained at least one municipal corporation, and Maryland led in the creation of non-municipal public corporations. On the other hand (leaving out of account the uncertain lesser towns), no *public* corporations seem to have been erected in New England except the short-lived city of Acomenticus, *alias* Gorgeana, *alias* York, and the Boston Overseers of the Poor. Altogether the most prolific in corporate charters were the middle colonies — New York, New Jersey, Pennsylvania, and perhaps Maryland; though toward the end of the period Rhode Island and South Carolina issued numerous charters for private undertakings.

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[1] *N. C. Col. Recs.* v, 301–303, vi, 5–6, 57, 77, 226–229, 288–289, and *supra*, 70–71.

Secondly, the lack of uniformity in the distribution of the corporations is paralleled by a marked diversity in methods of incorporation. Every possible method was used in one or more instances. The commonest method was by charter from the governor with the approval of the council, in the royal colonies, and by act of assembly elsewhere. Yet in Massachusetts and South Carolina, after they became royal provinces, the method of incorporation by act of assembly seems to have been universally practised, while in Rhode Island it was not uncommon for corporations to receive their formal charters directly from the hands of the governor. There were certainly a few exceptions to the rule in the royal colonies of New Jersey and Virginia, and in Maryland while it was under royal control. In Pennsylvania charters by the proprietary, by the governor, and by the assembly seem to have been of roughly equal prominence. Furthermore, there is one instance of the incorporation of a single corporation by charters from three jurisdictions, and there are several cases of the incorporation of several corporations by a single legislative act. But no "general incorporation act" permitting "freedom of incorporation" in accordance with its provisions was known in America in the colonial days.

Finally it will be noted that the colonial corporations, while their history is virtually coextensive with the history of the colonies themselves, increased rapidly in number in the last two or three decades before the Revolution. This was true most notably of the private corporations. Before 1745 only two colleges had received charters of incorporation; between 1745 and 1776 seven charters were granted. Before 1745 there seem to have been only five or six incorporated churches in New York and but two in New Jersey; in the next three decades at least fifteen more were chartered in each colony. All but one or two of the colonial business corporations were chartered after 1760. The various hospitals, library companies, marine societies, etc., which have been mentioned were all, apparently, incorporated after 1750. The several charters of ecclesiastical corporations for the relief of widows and children of the clergy were all granted after 1759. It was the last ten years of this period, moreover, in which the largest total of any decade was added.

It would seem, therefore, that the development of corporations in the colonies was a fairly normal one, not appreciably hampered by crown interference or parliamentary restrictions, and checked chiefly by the simplicity of social and economic conditions and by limitations of social and economic traditions. The very diversity in practice regarding corporations affords mute testimony to the truth of this conclusion, since it reflects the diversity in intellectual and industrial conditions, as well as in political organization, among the several colonies. And the growth of corporations toward the end of the colonial era is prophetic of the larger growth which was to take place in the more mature post-Revolutionary days.

ESSAY II

WILLIAM DUER, ENTREPRENEUR

1747–99

WILLIAM DUER, ENTREPRENEUR

1747–99

CHAPTER I

Foundations of a Career, 1747–85

To twentieth century eyes the preëminent business man of America in the period preceding and immediately following the adoption of the Constitution is unquestionably Robert Morris. Engaged in a variety of vast enterprises, — shipping, merchandising, road and canal building, land speculation, and others, — he stands out as the prototype of the modern "captain of industry," unlike the latter chiefly by reason of a lesser interest in manufactures and railroads and a larger official concern with the public service. Yet Morris, commanding figure though he undoubtedly was, occupied no solitary, supreme position in the business world of his day. And few of his compeers came nearer to equalling him in breadth of interests and extent of influence than William Duer of New York. Duer's rise to prominence was swifter; his career was briefer; he was concerned somewhat more with stock speculations and decidedly less with shipping and highway building; his operations were even more clouded in secrecy; and failure, which eventually overtook him as well as Morris, played more havoc with his reputation. But his eminence as an entrepreneur and the magnitude of the part which he played are beyond dispute.

An adequate life of Duer would greatly illuminate the economic and political history of a most critical decade in American history; in particular it would throw much light on the interactions of politics and business at the time when important public policies were being determined and private business enterprises were beginning on a large scale. Materials for such a biography are not lacking. Considering Duer's great activity and variety of interests, they are, however, highly fragmentary. Duer was a cautious man, whose right hand often was not suffered to know what his left hand did; he was careless of correspondence and memoranda, preferring face to face dealings and trusting much to his memory; and he saw to it that, so far as possible, papers containing "incriminating" information regarding his connections and operations were destroyed.[1] Such materials as remain, moreover, are largely in manuscript form and are so scattered and so difficult of access as to make an early writing of a complete life improbable. This essay is offered as a preliminary and inadequate sketch of a singularly interesting career.[2]

The sketch is inserted in the present work because of what it reveals of the business conditions, practices, ethics, and atmosphere, in which the business corporation, as an American institution, passed through its early stages, and of which a knowledge is essential if its development would be understood.

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[1] See his direction to a correspondent to destroy a letter, lest it become an "Heir Loom": *Craigie Papers*, ii, 54.

[2] The only serious attempt to sketch Duer's life as a whole appears anonymously in *The Knickerbocker, or New-York Monthly Magazine*, xl, 95–103 (August, 1852). This sketch is evidently from the pen of one close to the family. As a presentation of the career and the man it is thoroughly misleading. It omits all mention of the Scioto business and the Brissot relationship. It passes lightly over his speculative activities and his disappointing relations with the "national manufacturing society." It pictures him, in his failure, as "a victim of the officious intermeddling of a clerk, and the consequent panic of his creditors," — quite erroneously. Yet a number of its statements give the impression of authenticity, and these have been accepted, even though not confirmed by other authority, where no contradictory evidence has appeared.

Fragmentary treatment of Duer's activities may be found in numerous secondary works, to many of which reference will be made. Archer B. Hulbert, in his "Methods and Operations of the Scioto Group of Speculators" (*Miss. Valley Hist. Rev.*, vol. ii, March, June, 1915, and reprinted separately), summarizes a good deal of the evidence of several of Duer's enterprises in a highly critical vein.

Correspondence or memoranda of or relating to Duer may be found notably in the following manuscript collections: *Duer Papers* and *Scioto Papers*, New York Historical Society; *Craigie Papers*, American Antiquarian Society; *Knox Papers*, Massachusetts Historical Society; *Hamilton Papers*, Library of Congress; *Barlow Papers*, deposited in the Library of Harvard University; *Wolcott Papers* and *Wadsworth Papers*, Connecticut Historical Society; *Schuyler Papers*, New York Public Library. A number of letters of or to General Washington mention Duer. These I have not consulted directly. See J. C. Fitzpatrick, *Calendar of the Correspondence of George Washington Commander in Chief of the Continental Army with its Officers* (Washington, 1915).

A portrait of Duer is preserved in the Library of the Historical Society of Pennsylvania.

William Duer was a native of England, but there was some justification for calling him "a West Indian."[1] His father was John Duer, born in Antigua, a descendant of a cavalier named De Vere, who had taken refuge on this island during or after the English Civil War. This John Duer owned large plantations here and on the neighboring island of Dominica, became a member of His Majesty's Council for Antigua, and married Frances, daughter of Sir Frederick Frye, President of the Council. Eventually, however, he removed to England, though without disposing of his property in the West Indies; and it was at his Devonshire villa, on March 18, 1747, that his fourth son William was born.[2]

Like his two older full brothers, William studied at Eton. In 1764, with the rank of ensign, he went to India as aide-de-camp to Lord Clive, formerly a country neighbor of his father's, when Clive was sent out as Governor-General. The youth was soon taken down with the fever and was sent home. His father died shortly after his return, leaving him a moderate fortune, consisting of a share in the Dominica estate and a "handsome pecuniary legacy;" whereupon he promptly forsook the army for a business career. Having secured a contract for furnishing masts and spars to the British navy,[3] he came to New York in 1768 to procure the lumber necessary to fulfil this contract and to supply the family estates in the West Indies. Well furnished with credentials and letters of introduction and a winning disposition, he met with a hospitable reception. At the suggestion of William Alexander (self-styled "Lord Stirling"), member of His Majesty's Council for New York and New Jersey, he visited Col. Philip

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[1] Thomas Jones, *History of New York during the Revolutionary War . . .*, ed. by E. F. DeLancey (New York, 1879), ii, 324.

[2] The facts regarding Duer's parentage and early life are drawn chiefly from a note by the editor in *ibid.*, ii, 587–589, and the anonymous memoir in the *Knickerbocker Magazine*. Both writers evidently had access to more or less identical family material.

[3] His sister Theodora married George Rose, son of the Earl of Marchmont. Possibly this relationship had to do with the grant of this contract. Rose was later a prominent official in the English Exchequer, — interesting in view of Duer's similar office in America: *Dictionary of National Biography*, xlix, 226–230.

Schuyler at Albany, and on the latter's advice purchased a suitable tract of land at Fort Miller, on the east bank of the upper Hudson, a few miles above Saratoga. Here he erected saw mills and proceeded to get out his timber. Here he built a mansion, in due time developed the estate by adding a grist mill, a snuff mill, and a powder mill, and promptly became an American. His genial personality, his opulence and hospitality, his business aptitude, all won him friends. He was made a justice in the county courts (Charlotte County) and a colonel in the local militia. Apparently only once, in 1773, did he revisit England and the West Indies, to settle his affairs in those places and perhaps also to attempt to negotiate another navy contract.[1]

At the outbreak of the Revolution Judge Duer upheld the Whig traditions of his family by casting in his lot with the rebel element.[2] In the spring of 1775 he seems to have been chosen a delegate from his county to the Provincial Congress which replaced the Tory legislature.[3] Apparently on Schuyler's nomination, after Duer had protested against the nomination of Benedict Arnold for the post, the Congress appointed Duer deputy-adjutant-general of the New York troops, with the rank of colonel. This appointment he hesitated to accept, on the ground that it might cost his brothers the forfeiture of the family estates in Dominica; he wrote Schuyler that he would be happy to serve under Schuyler when he could do so without forfeiting the character of an honest man, and that he purposed laying his case before the confidential committee of the convention.[4] He was not pressed to act in this capacity, but was soon in the thick of the movement for resistance. In the winter of 1775-76 he was busy furnishing plank for building bridges ordered by the military authority,[1] and masts and spars for continental frigates building on the Hudson.[2] In May, 1776, he and Col. Jonathan Dayton of New Jersey were despatched by Generals Schuyler and Sullivan to capture the person and papers of Sir John Johnson — a wild-goose chase, for their quarry eluded them, and while the documents he left behind afforded evidence of hostile designs, no great haul was made even of these.[3] In June he was elected a delegate from Charlotte County to the New York convention which met at White Plains on July 9.[4] Shortly after, at the instance of General Washington, he was sent with Colonel Broome with important messages for Governor Trumbull of Connecticut.[5] On August 1 he seconded Gouverneur Morris's motion for a committee to draw a constitution for the infant state and was, with Morris, appointed to that committee, of which John Jay was made chairman.[6]

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[1] The secondary authorities mentioned are not in entire agreement on this point, and I have seen no supplementary evidence.

[2] "His brothers and brother-in-law were staunch Whigs; and . . . their maternal uncle, an East-India Director, contributed two hundred pounds sterling for the relief of the widows and orphans of the Americans slain at Bunker-Hill": *Knickerbocker Magazine*, xl, 99.

[3] De Alva Stanwood Alexander, *A Political History of the State of New York* (New York, 1906), i, 4.

[4] Duer to Schuyler from Fort Miller, July 19, Aug. 10, 1775, in *Schuyler Papers*, Nos. 565, 566 (*Calendar*, i, 74); John McKesson to George Clinton, July 31, 1775, in *Public Papers of George Clinton, First Governor of New York* (Albany, 1899–), i, 211–212; Benson J. Lossing, *The Life and Times of Philip Schuyler* (New York, 1883), i, 383–384; *Journals of the Provincial Congress*, i, 91, 107, 117, ii, 37.

Late in September, 1776, with Jay and four others, he was named on a secret "Committee of Correspondence," which was given large powers "of enquiring into, detecting and defeating all conspiracies, which may be formed in this State, against the liberties of America." Of this committee, organized at Fishkill, October 8, Duer was probably the most energetic member, and his activities on it ceased only with its dissolution in February, 1777.[7] He conducted correspondence with the headquarters of the army near New York. At the request of the army officers and the state authorities he procured teams, provender, powder, axes, and other supplies necessary for the troops. At the instance of General Mifflin he undertook in October and November the building of barracks for two thousand men at Peekskill.[1] He also made suggestions for military operations: one, the burning of New York City to prevent its occupation by the British; another, an attack on Long Island, which the commander-in-chief is said to have considered good in theory, but for the time impracticable.[2] He "talked learnedly about nautical surveys."[3] Dec. 19, 1776, the state convention appointed him a member of a committee of that body to aid an expedition into Westchester County under General Heath, with the object of taking Fort Independence. The expedition failed, largely, Duer thought, on account of Heath's lack of boldness and the poor regulation of the militia;[4] and after the retreat Duer remained behind in the county to protect the revolutionary partisans near the enemy's lines, to prevent cattle and supplies from being taken into New York City, and incidentally, no doubt, to make matters as unpleasant as possible for the Tories of the vicinity.[5] In these

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[1] Duer to Schuyler, Feb. 1, 1776, enclosing bill and request for immediate payment: *Schuyler Papers*, No. 568 (*Calendar*, i, 74).

[2] See report of the Board of Admiralty to Congress, October, 1780, on Duer's account: *Journals of the Continental Congress*, 1774-89, ed. by W. C. Ford (Washington, 1904-), xviii, 958, 985-986.

[3] Duer to Schuyler, May 22, 24, 1776: *Schuyler Papers*, Nos. 570, 571 (*Calendar*, i, 75). The orders are reprinted in the *N. J. Hist. Soc. Proc.*, v, 34-37 (1851).

[4] George Pellew, *John Jay* (Boston, etc., 1891), 59. Cf. Alexander, *Pol. Hist. of N. Y.*, i, 4-5.

[5] Letter of Washington to the president of Congress, July 19, 1776, in *The Writings of George Washington . . .* by Jared Sparks (Boston, 1834-37), iv, 9-10.

[6] Pellew, *John Jay*, 64-65. Though directed to report August 16, the committee did little work till winter and did not report till March 12, 1777. Cf. Alexander. *Pol. Hist. of N. Y.*, i, 13.

[7] Pellew, *John Jay*, 67-70; *Clinton Papers*, i, 360-362, 367, 384, 397; A. C. Flick, *Loyalism in New York during the American Revolution . . .* (New York,

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1901), 120–123. Cf. [S. A. Harrison,] *Memoir of Lieut. Col. Tench Tilghman* . . (Albany, 1876), 32–33, referring to a letter from Duer, Sept. 22, 1776, asking for daily information for the committee.

[1] See numerous letters, etc., in *Duer Papers*, i, 1–40; *Clinton Papers*, i, 367, 384, 397, 406, 419, 423–424, 435; *Schuyler Papers*, No. 573 (*Calendar*, i, 75).

[2] *Knickerbocker Magazine*, xl, 97, citing a letter in the State Department at Albany; Washington, *Works*, iv, 353–354.

[3] McKesson to Clinton, Nov. 26, 1776, in *Clinton Papers*, i, 433.

[4] *Ibid.*, i, 486–487, 519, 565–566; Washington, *Works*, iv, 307–308; Sparks, *Correspondence of the American Revolution*, i, 329–332 (Duer to Washington, Jan. 28, 1777).

[5] In the *Duer Papers*, 39–40, appear an inventory dated Feb. 19, 1777, of estates of persons who have joined the enemy, and resolutions dated March 4, 1777, of the committee, Duer and Tompkins present, "appointed by the Convention of the State of New York for protecting persons and property of the well affected Inhabitants of the County of West^{r} and for Securing the Effects of those who have fled to or Joined the Enemy." Later, while in the Continental Congress, a committee of which Duer was a member drew up plans for treating loyalists which parallel those tried out in New York: *Journals of Cont. Cong.*, vii, 285–286 (April, 1777). The *Knickerbocker Magazine* writer adds: "During this period, also, he held those interviews, in the mountains near West-Point, with Enoch Crosby, the Harvey Birch of Cooper, upon which the adventure introduced into 'The Spy' is founded." Cf. H. L. Barnum, *The Spy Unmasked* . . . (New York, 1828).

various capacities he well earned the appellation given him by Thomas Jones, Tory chief justice of the provincial court, — "as great a rebel as ever had an existence."[1]

Such was his success in these undertakings that, near the close of March, 1777, the state convention chose him a delegate to the Continental Congress and on May 13 elected him again with Philip Schuyler, Philip Livingston, James Duane, and Gouverneur Morris to represent the state in the federal gatherings.[2] On April 7 he took his seat; and if we may believe the encomium of a friendly writer,

> "In this august assembly he soon became distinguished for the ardor of his patriotism, and, although one of the youngest of its members, for the wisdom of his counsels. In eloquence he was unsurpassed."

Certainly he immediately made a large place for himself by his untiring energy and affability. Within two weeks he was appointed on no less than seven different committees, two of which were of importance.[3] This committee activity continued throughout his attendance, and frequently the preserved reports of the committees appear in his handwriting.[4] On July 2, 1777, he was appointed to the Board of War, a committee of five which had been constituted in June, 1776, with the duties of keeping the congressional records of the war and statistics of men, equipment, stores, etc., handling despatches, providing for prisoners of war, and superintending the fitting out of land forces. On this important committee he continued to serve during his tenure of office.[5]

The period of this legislative service was one of the most critical of the war. In September, 1777, he was noticed among the official fugitives entering Bethlehem, who had fled Philadelphia as the British advanced to occupy it; and in November he wrote to Governor Clinton from York, Pennsylvania, the new seat of Congress.[1] In July, 1778, he signed the Articles of Confederation, which were not to be ratified for three weary years more.[2] This was the winter of Valley Forge. Insidious dangers from within as well as open dangers from without were portentous. Soon after his arrival at Philadelphia Duer wrote Jay:

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[1] Jones, *Hist. of N. Y.*, i, 324.

[2] *Journals of Cont. Cong.*, vii, 230, viii, 396–397. The writer in the *Knickerbocker Magazine* states (p. 97) that "When the State Constitution went into operation, Colonel Duer was elected to the Senate, but did not take his seat in that body, having, before he reached Albany, been chosen by the Legislature a delegate to the Continental Congress." Cf. letters of May 20 and July 17, 1777, from Pierre van Cortlandt, president of the Council of Safety to the delegates in Congress, in *Duer Papers*, i, 45.

[3] *Journals of Cont. Cong.*, vii, 230, 254, 259–260, 264, 271–272, 274, 275, 279–280.

[4] See the index to the *Journals*.

[5] *Journals of Cont. Cong.*, viii, 525, vi, 434–435, xii, 1238, Dec. 20, 1778.

> "When I was sent here I had some idea that I was entring into the temple of public virtue. I am disappointed and chagrined. . . . From the rapid increase of villainy both moral and political, it is to be feared that we shall not increase in virtue, as we may in years."[3]

In December, 1778, there came to a head the serious conspiracy known as the Conway Cabal, in the defeat of which Duer is reported to have played an effective, even heroic, part, once rising from a sickbed at the risk of his life to insure the counting of New York on the right side.[4]

Except for a brief interval in February and March, 1778, Duer was in practically constant attendance in Congress till the early part of 1779.[5] As early as November, 1777, and more emphatically after July, 1778, he appealed to Governor Clinton to be relieved, on the ground that his private affairs urgently demanded his attention.[6] Inasmuch, however, as his departure would have deprived the state of a quorum and a vote, he postponed his resignation till January, 1779. On the whole his services seem to have commended him both to the state and to his fellows in Congress.[7]

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[1] Letters printed in the *Pa. Mag. of Hist. and Biog.*, xx, 145–146, xxix, 192–193; H. Laurens to Washington, April 4, 8, 1778, in Sparks, *Correspondence of the American Revolution*, ii, 97–98.

[2] *Journals of Cont. Cong.*, xix, 222.

[3] Letter of May 27, 1777, in *The Correspondence and Public Papers of John Jay . . . 1763–81*, ed. by Henry P. Johnston (New York and London, 1890), i, 139–140.

[4] William Dunlap, *History of the New Netherlands, Province of New York, and State of New York, to the Adoption of the Federal Constitution* (New York, 1839–40), ii, 133–134.

[5] See records of votes, committee appointments, etc. His last vote seems to have been on November 16, but on December 20 he is noted as present at a meeting of the Board of War, and Clinton's letter cited below implies that he was still in Philadelphia in January, 1779.

[6] Letters in *Pa. Mag. of Hist. and Biog.*, xxix, 192–193, and *Clinton Papers*, iii, 568, 621, 661, iv, 100, 540–541.

[7] Cf. esp. Clinton to James Duane, Feb. 2, 1779, in *Clinton Papers*, iv, 540–541,

Among the "private affairs" which claimed Duer's attention after his release from legislative duties was his marriage. His choice was Catharine Alexander, better known as "Lady Kitty," daughter of the "Earl of Stirling," whom Duer had met on his first arrival in America. Alexander was now a major-general, and in 1781 he took command of the Northern Department.[1] Lady Kitty was then, and remained after her marriage, a "fine lady." The match was a brilliant one, and it was the commander-in-chief himself who escorted the bride to the altar, in July, 1779, at her father's country seat at Baskingridge, New Jersey.[2]

Duer left Philadelphia to the regret of many friends, including Count Barbé-Marbois, then secretary to the French legation.[3] Back in New York he continued to hold public appointments of a minor nature. For a while he acted as Clinton's aide-de-camp.[4] On July 1, 1780, he was chosen a member for Dutchess County of the "commissioners for detecting and defeating conspiracies," who acted until Aug. 30, 1781.[5] In May, 1783, he was present at a meeting of a council at Poughkeepsie, appointed for temporarily governing the southern parts of the state.[6]

His principal energies, however, he devoted to business. On Jan. 24, 1780, Duer submitted to Luzerne, the French minister, proposals to furnish masts for the French navy;[7] and when Silas Deane embarked for Europe in June on public business, he had as a subsidiary object the negotiation of this contract, as a partner with Duer, a Frenchman named Chaumont and James Wilson, the Pennsylvania lawyer. The scheme,

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and also letters to Clinton, in *Clinton Papers*, iv, 321, 325, indicating that Duer and Lewis had paid the cost of printing the New York Constitution, and that Duer had advanced Gouverneur Morris a much needed $2,000.

[1] William A. Duer, *The Life of William Alexander, Earl of Stirling* . . . (New York, 1847).

[2] Mrs. John King Van Rensselaer, *New Yorkers of the XIX Century* (New York and London, 1897), 16.

[3] Barbé-Marbois to Lord Stirling, Jan. 29, 1781, in *N. J. Hist. Soc. Proc.*, 1st Series, vii, 146 (1855).

[4] Letter of June 5, 1779, in *Clinton Papers*, v, 32–34.

[5] *Minutes of the Commissioners*, ed. by H. R. Paltsits (Albany, 1909), 68; *Clinton Papers*, vi, 134, 357, 553, vii, 95, 158–159.

[6] *Ibid.*, viii, 183–186.

[7] J. C. Fitzpatrick, *Calendar of the Correspondence of George Washington* . . *with the Officers* (Washington, 1915), 1233, 1245.

doubtless likewise the principal financial stake in it, was probably Duer's. The venture at first promised well. The influence of Jay, then representing the colonies at Madrid, was sought; and on Aug. 23, 1780, Deane wrote from Paris that the minister had accepted a contract on condition that the first three cargoes pass examination. The partners laid out "several thousands of good money in purchase of timber, materials, etc." But the contract was not confirmed, and after some three years of negotiation it was finally awarded "to a gentleman in New England." [1]

In April, 1782, soon after the establishment of the contract system, Duer went vigorously into the work of furnishing supplies to the troops. For this he was prepared by his experience in the early days of the war. In Congress his attention had been drawn to the problems of the commissary department.[2] And his intimacy with Generals Stirling and Schuyler was certainly no bar to his progress in this field.[3] At all events, he promptly became "one of the principal contractors." At first, with his base at Albany, he engaged merely in supplying the levies in northern New York and on the frontier. He secured further contracts, however, late in 1782 to supply the army in New York and New Jersey, early in 1783 to supply prisoners passing to and from New York City, and a few months later to supply garrisons to occupy the western posts. During this interval he moved his base to New York. Although his service was not free from complaints, he fulfilled his obligations quite to the satisfaction of the continental authorities.[4] This work continued beyond the close of the war, by votes of Congress Dec. 11, 1784, and February, 1785,[1] and by order of General Knox, July 21, 1785.[2]

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[1] See esp. correspondence in *The Deane Papers*, 1774–90 (in *N. Y. Hist. Soc. Colls.*, xix–xxiv; New York, 1886–90), iv, 168–169, 184–186, 190–192, 281–282, v, 132, 140–142, 163. Duer defended Deane and attacked the Lees, in an address signed "W. D.," dated Orange County, Dec. 31, 1778, published in the Poughkeepsie (N. Y.) *Journal*, Jan. 11, 1779. This drew the fire of Thomas Paine. Less than two years later, however, when Deane was disgraced, Paine wrote a friend: "My old friend Duer, 'Sometimes a Sloven, and sometimes a Beau,' says: Deane is a damned artful rascal. However, Duer has fairly cleared himself. He received a letter from him a considerable time before the appearance of these in the New York papers, which was . . . of such a traitorous cast, that he communicated it to Mr. Luzerne, the Minister": *Deane Papers*, iii, 332–341, iv, 544, 424–432.

[2] See *Journals of Cont. Cong.*, vii, 254, viii, 701, ix, 948, 996, 1022.

[3] See *Schuyler Papers*, *passim*, and Fitzpatrick, *Calendar of Washington Correspondence (Officers)*, 2105, 2117.

[4] Louis C. Hatch, *The Administration of the American Revolutionary Army* (New

In this business, certainly in 1782–83, Duer acted as a principal member of a firm or firms variously known as William Duer & Co., Duer & Parker, Parker & Duer, and Daniel Parker & Co. Parker, the other principal partner,[3] had lately come from Massachusetts,[4] but he gained the commander-in-chief's confidence with sufficient promptness to be appointed May 8, 1783, on a commission to superintend the debarkation of the British troops and obtain from them a delivery of slaves and other American property in their hands.[5] Some sort of connection continued to subsist between these two: I am inclined to believe that Duer was a silent partner in the general mercantile firm of Daniel Parker & Co., operating in New York, after the close of the war.[6] In 1784 or early 1785, when large prosperity was almost within its grasp, this firm became embarrassed,[7] apparently because of the bankruptcy of two related

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York, 1904), esp. chap. 6; *Washington Papers* (Library of Congress) — see Fitzpatrick, *Calendar* (*Officers*), esp. 2096, 2121, 2222, 2276, 2323, 2327, 2396–2400, 2420, 2430. Several contracts or drafts of contracts, and some correspondence between Morris and Duer regarding claims, appear in the *Duer Papers*. Morris writes Schuyler, Dec. 3, 1781, that Duer was much underbidden on a contract for West Point, though he, Morris, would have been glad to see Duer get it: *Schuyler Papers*.

[1] *Journals of Congress* . . . (Philadelphia, 1777–1801), x, 15, 42. Since the more complete printing of these journals is yet unfinished, it is necessary to rely on the earlier issue for the period 1784–89.

[2] *Duer Papers*.

[3] Melancthon Smith of New York and Royal Flint of Connecticut, both of whom will be mentioned again, were also associates, perhaps partners: Fitzpatrick, *op. cit.*, 2400.

[4] He may be the Daniel Parker of the Sons of Liberty mentioned in *Mass. Hist. Soc. Proc.*, xvi, 200 (1873). Gen. William Heath, writing from Roxbury, Nov. 29, 1782, vouched to Washington for him: Fitzpatrick, *op. cit.*, 2284. Cf. Stephen Higginson's letter to Arthur Lee, in 1783, commenting on "the most scandalous Conduct . . . in the Marine Department," through the building of two ships and then selling them hastily: "the reason of all this is very plain, when we attend to the Terms of Sale, and the Persons who have purchased them, Mr. Morris's Agents purchased both of these Ships, M^r Russell of the Hague and M^r D. Parker the Bourbon": *Amer. Hist. Assoc. Report*, 1896, i, 712–713.

[5] Fitzpatrick, *op. cit.*, esp. 2387, and its index, "Daniel Parker."

[6] See copy of letter from Montagu Ewart & Co., dated Barcelona, April 6, 1784, offering their services to the firm: *Craigie Papers*, iii, 48; and see *infra*, 254–259.

[7] A business connection (Porter) wrote Craigie from Alexandria May 28, 1785:

firms in London and Amsterdam. To straighten out these affairs, perhaps to escape pressure of American creditors, certainly to build his fortune anew, Parker went to Europe in 1785 or 1786.[1] There he cultivated the acquaintance of important Americans and foreigners[2] and undertook to establish in London an agency for international business negotiations of various sorts.[3] In this capacity we shall frequently have occasion to mention him in the succeeding chapters.

This was an important part of Duer's career, for it developed his business talents, threw him into touch with large numbers of men of all sorts, high and low, and increased his fortune. There is good reason to believe that by the close of the war he was a wealthy man.[4] His patrimony had not been insignificant. His few undertakings before the Revolution were probably fairly profitable, and there is no reason to question the profitableness of his revolutionary contracts.[5] Furthermore, Thomas Jones, the loyalist, charges him, as well as his father-in-law, with pay-

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"D. P^{s} absence at this time, is peculiarly unfortunate. . . . If this Ship [the *Empress of China*] has made but ¾ of the voyage generally Supposed, it proves (to me) very clearly that the disunion of that C^{o} was the only bar to our friend — being *apparently* on as respectable a footing as any Mercantile character on the Continent and a year or two more with common Success would *actually* have put him in a Situation as independent as a Morris — His misfortunes are peculiar indeed and greatly to be lamented": *Craigie Papers*, ii, 133.

[1] Many facts regarding these operations are buried in the papers of Parker's American agent, Andrew Craigie, held by the American Antiquarian Society. A. B. Hulbert has put some of them into print in his two papers, "Andrew Craigie and the Scioto Associates," in *Amer. Antiq. Soc. Proceedings*, xxiii, New Series; and "The Methods and Operations of the Scioto Group of Speculators," in *Miss. Valley Hist. Rev.*, ii, March and June, 1915 (separately reprinted, pp. 31). More will be mentioned below. Parker was in London as early as September, 1786; witness his letter to Craigie, introducing Phineas Bond, coming as English consul to New York, in *Craigie Papers*, iii, 110.

[2] John Adams wrote from London, Oct. 28, 1787, to Thomas Jefferson in Paris, introducing Parker as "an intelligent American, . . . as well-informed as any you will see from hence": Adams, *Works*, viii, 457. For a side-light on Parker, see Jefferson to J. Delaplaine, May 3, 1814, in A. A. Lipscomb and A. E. Bergh, *The Writings of Thomas Jefferson* . . . (Washington, 1903), xiv, 133.

[3] Cf. *Recollections of Samuel Breck* . . ., ed. by H. E. Scudder (Philadelphia, 1877), 137.

[4] One finds, however, that as late as November, 1788, a mortgage on his property was held by his brother-in-law, George Rose, then a high official in the English Treasury: Craigie to Daniel Parker, Nov. 19, 1788, in *Craigie Papers*, i, 24.

[5] Cf., however, his complaints of temporary embarrassment, September, 1782: Fitzpatrick, *op. cit.*, 2222, 2228, 2229, 2235.

ing off in depreciated currency considerable indebtedness incurred before the war;[1] and the story is not inherently improbable. Finally his wife's father, dying in 1782, left to this daughter one-half of a now considerable estate.[2] In particular Duer accumulated during this period quantities of state and continental warrants, "specie certificates," and the like, in which payments for public supplies were commonly made; and it is quite probable that he took soldiers' certificates also, at least when they were offered in exchange for supplements to rations.

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[1] *Hist. of N. Y.*, ii, 323–324.

[2] Note by DeLancey, in *ibid.*, ii, 580–587.

CHAPTER II

THE BOARD OF TREASURY AND THE SCIOTO FLOTATION, 1786–89

IN January, 1783, Robert Morris resigned as federal Superintendent of Finance, and by the middle of 1785 Congress had at last succeeded in finding three men to constitute a Board of Treasury to take his place.[1] In March, 1786, the secretaryship of this body was raised to a more important position, with a salary of $1850, and Duer soon after was appointed to fill it.[2] This office, at the very centre of the public business of the confederation government, he held until in 1789 the board was superseded by other machinery provided under the new Constitution. From this time he resided in New York City.

But official duties were not allowed to engage all his energies. In the spring of 1786 he was sent to the state legislature with Robert Troup and Colonel Malcolm, in accordance with plans of Alexander Hamilton to secure the accession of the state to the impost act and the appointment of delegates to the Annapolis convention; and, according to Troup, Duer's "commanding eloquence" counted effectively toward the success of the second measure.[3] On July 4, 1786, he was elected to the Society of the Cincinnati, and while he seems not to have held office he was clearly a prominent member of the organization, delivering the oration to the society at St. Paul's Church July 4, 1788.[4] In October and November, 1787, when the question of ratifying the new Constitution was before the state, he contributed (as "Philo-Publius") three brief supporting letters which are sometimes mentioned, with unwarranted flattery, as auxiliary to *The Federalist*, the first number of which was published just before Duer's first essay. Two of these are not without interest, considering Duer's past and future interests. The first discusses the question, "How happens it, that the interest of the officers of a state should be different from that of its citizens?" The third urges the importance of a navy, not only to preserve liberty, but to guard the national rights against the ambitions of members.[1] Despite his skill with the quill in drafting reports, contracts, and the like, Duer was no essayist, and he wisely left to more capable hands the publicity campaign which so effectively smoothed the way for the adoption of the new instrument of government. His personal influence, however, was cast strongly in favor of the new scheme, and to some extent he corresponded with leading federalists in other states concerning its progress.[2] In 1789 he joined with Hamilton, Troup, and Aaron Burr on a committee of correspondence to promote the election of Judge Yates, a moderate, over the radical Clinton as governor.[3] Indeed, until 1792 Duer continued active in politics, as a federalist. Then, in the contest between Clinton and Jay for the governorship, he found himself very much tied up with business affairs and also felt that he had served his turn. His friend and business associate, Platt, wrote to a friend:[4]

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[1] Charles J. Bullock, *The Finances of the United States from 1775 to 1789* . . . (Madison, 1895), 207, 210.

[2] *Journ. of Cong.*, xi, 35–36; letter of King to Gerry, March 29, 1786, in Charles R. King, *The Life and Correspondence of Rufus King* . . . (New York, 1894), i, 162.

[3] Troup letters printed in *Magazine of American History*, xxix, 326–327 (1893).

[4] The pamphlet *Proceedings of the Cincinnati, 1786*, is preserved in the *Hamilton Papers* (formerly at the end of vol. vii). See further, *Correspondence and Journals of Samuel Blachley Webb*, . . . ed. by W. C. Ford (New York, 1893), iii, 110.

> "Duer & myself who have worked on all former Occasions, in the present Case remain idle, tho' we wish Jay success — Nic Low & Richd Harrison & Rufus King are the Champions of Jay — and as they are all Federal men & loaded with the Honors of the Government,[5] let them work, as they have the Watch — Don't you join in this Creed with Duer, Giles and myself?"

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[1] The papers are reprinted in John C. Hamilton's edition of *The Federalist* (Philadelphia, 1864), 655–659. Cf. John Bach McMaster, *History of the People of the United States* . . . (New York, 1883–1913), i, 483.

[2] Cf. letters printed by his son, William Alexander Duer, in his *Course of Lectures on the Constitutional Jurisprudence of the United States* . . . (2d ed., Boston, 1856), ii, 472–479.

[3] J. Parton, *The Life and Times of Aaron Burr* (New York, 1860), 173.

[4] To S. B. Webb, March 4, 1792, in *Webb Correspondence*, iii, 177.

[5] Low and King were directors in the Bank of the United States; Harrison was federal district attorney for New York; King, senator from New York.

Meanwhile he and Lady Kitty waxed more and more prominent in the high society of the day. They were lavish in their hospitality to political and business associates, potential as well as actual; and they knew how to make the most of that hospitality as a basis for more tangible operations. Manasseh Cutler wrote of what was probably a typical dinner party, in July, 1787:[1]

> "Dined with Colonel Duer, in company with Mr. Osgood, President of the Board of Treasury, Major Sargent, and several other gentlemen. . . . At table we were honored with the company of Mademoiselle La Fouche, a French lady of the family of one of the noblesse, and Lady Kitty, the wife of Colonel Duer. Lady Kitty . . . is a fine woman, though not a beauty, very sociable, and with most accomplished manners. She performed the honors of the table most gracefully, was constantly attended by two servants in livery, and insisted on performing the whole herself. Colonel Duer . . . lives in the style of a nobleman. I presume he had not less than fifteen different sorts of wine at dinner, and after the cloth was removed, besides most excellent bottled cider, porter, and several other kinds of strong beer."

He was also fond of quiet, friendly little parties at which business and pleasure could be smoothly combined.[2] "The most intimate friends of the family were Alexander Hamilton and Robert Troup," but there was a large circle of others. His son, writing some years later, names among those who were frequently at the house Jay, Knox, Steuben, Gouverneur Morris, Egbert Benson, James Duane, John Lawrence, Chancellor and Brockholst Livingston, as well as a number of less prominent persons. Among the occasional guests were the presidents of Congress, James Madison, Arthur Lee, Robert Morris, Rufus King, Philip Schuyler, Ralph Izard, and John Kean, later cashier of the first Bank of the United States.[3] To Duer and Samuel Osgood, of the Board of Treasury, was entrusted the duty of procuring and furnishing a house in New York for President Washington, on his arrival in 1789; and the Colonel and Lady Kitty were occasional dinner guests at the presidential mansion.[1] Intimacy in high quarters is further reflected in the story that in the garret of this first White House "Duer played Brutus . . . to the Cassius of George Parker Custis, Washington being one of the select audience." [2] Christopher Gore, a prominent Bostonian, was a warm friend.[3]

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[1] William Parker Cutler and Julia Perkins Cutler, *Life, Journals and Correspondence of Rev. Manasseh Cutler* . . . (Cincinnati, 1888), i, 240–241. Cf. also H. P. Johnston's paper, "New York after the Revolution," in *Mag. of Amer. Hist.*, xxix, esp. 314–318 (1893).

[2] Cf. Cutler, *Manasseh Cutler*, i, 295–296.

[3] William A. Duer, *New York as it was, During the Latter Part of the Last Century* (New York, 1849), esp. 28–29.

Duer's business propensities were by no means suppressed during this period of office-holding, and his indulgence of them is more significant than his official acts. Indeed his private interests and official responsibilities were in some instances so interwoven that one is inclined to account him grimly prophetic when, in 1777, he expressed to Jay the fear "that we shall not increase in virtue, as we may in years." Most of the business enterprises, however, were shrouded in secrecy, and it is only with great difficulty that anything approaching a full and accurate story of them can be pieced together.

One of the first was connected with a copper contract. Late in 1786 or in 1787 James Jarvis, among others, made a proposition to furnish copper coin [4] to the United States on certain terms.[5] Jarvis appears to have had some connection, probably as an agent, with Daniel Parker in London. The Board of Treasury reported on his proposals, and on April 21, 1787, Congress, upon hearing a report by a special committee, authorized the board

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[1] *Pa. Mag. of Hist. and Biog.*, xiii, 115–116, xix, 441, 517. Cf. *infra*, 279.

[2] Mary Gay Humphreys, *Catherine Schuyler* (New York, 1897), 219.

[3] See esp. Gore's letters to Andrew Craigie, 1788, in *Craigie Papers*, ii, 58, 63, 69, 72, 74, 77. Jan. 2: "If you see Col° Duer — pray tell him, that I sincerely & heartily wish him & Lady Kitty every thing that can encrease, & ensure their felicity." Sept. 2: "God bless Duer — may he possess an earldom in honor & profit." Oct. 4: "God bless Duer — I wish he had a golden apostle [?] — and if I could transmute the family of Appletons' into gold, his warrants might produce specie. . . ." Nov. 23: "My affectionate regards to Duer — I wish him happy with a golden apostle at his feet."

[4] Note in this connection a statement, based on observations in 1788, by the French traveller Brissot de Warville: " . . . society suffers a real injury for want of a plentiful copper coin; it is calculated, that in the towns the small expences of a family are doubled, on account of the impossibility of finding small change": *New Travels in the United States of America* . . . (2d ed., London, 1794), i, 378.

[5] The proposals are quoted, in part, in what is the best account of this episode, in A. B. Hulbert's paper on "The Methods and Operations of the Scioto Group of Speculators."

> "to contract for three hundred tons of copper coin of the federal standard, agreeably to the proposition of Mr. James Jarvis; provided that the premium to be allowed to the United States on the amount of copper coin contracted for, be not less than fifteen per cent. that it be coined at the expence of the contractor, but under the inspection of an officer appointed and paid by the United States."

Payment was to be made in six per cent twenty-year obligations, payable principal and interest within the United States, the sums arising from the contract to be appropriated to the reduction of the domestic debt and the "premium" on the coin to the payment of interest on the foreign debt.[1] The board thereupon made contracts with Jarvis, (1) for the coining of the three hundred tons and (*ultra vires*, apparently) of forty-five tons "which he was to pay as a premium to the United States for the privilege of coining;"[2] and (2) "for the sale of a quantity of copper amounting to 71,174 pounds @ 11 pence farthing, sterling per pound," payable in copper coin of the federal standard, on or before Aug. 31, 1788.[3] The contract promised a goodly profit, and Duer sought a share in it, ostensibly as a capitalist who could furnish funds to insure its satisfactory execution.[4] The negotiations for this were aired among friends in November, 1790, when, after the contract had failed, Jarvis endeavored to evade payment on an obligation he had given Duer. To quote Jarvis's letter to Melancthon Smith and Andrew Craigie:[5]

> "Mr. D. saw my proposals, *if accepted*, would give me the power of great benefit; and therefore demanded a share in the business; & which I consented to, provided he would pledge himself to be at least dormant, & secret with respect to people out of doors — there were many reasons to instigate these conditions — I knew Mr. D. was engaged in a sort of treaty with others; and tho' I did not want his assistance, I wished him not

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[1] *Journ. of Cong.*, xii, 53–55.

[2] *Ibid.*, xiii, 151–152 (Sept. 30, 1788). It was evidently the intention of Congress to have only three hundred tons coined.

[3] See *ibid.*, xii, 71, 83 (May 8, July 6, 1787), for the authorization to dispose of the public supply of copper on hand and regulations regarding the device for the coins, which the Board of Treasury proposed should include the significant legend, "Mind your business."

[4] This seems to me the proper inference from the letters quoted below, though Hulbert does not point it out. Duer would scarcely have so frankly acknowledged a bribe.

[5] I quote from the *Craigie Papers*, iii, 32, ii, 55, which Hulbert quotes.

interested against me — from M^{r} D's official situation, he must necessarily know all applications made to the Board of treasury — Whether this was the interest of the United States, I shall not presume to determine!

"M^{r} D. had ever said, that it was not proper for him to enter into written engagements, and that in all events he would confide in my honor, to pay him in the event of my contract, his proportion of advantage —

"It is but justice to M^{r} D. to acknowledge, that in no stage of my application did he interfere, after the understanding between us, nor can he be chargeable with planning or arrangeing, in any respect, but in drafting the contract; which the board of treasury order'd him to do at his own house, in conjunction with myself — for this purpose we met, when the first article he proposed was *a private one*, to engage to pay him for value rec^{d} ten thousand specie dollars and which he demanded as *sine qua non*

"M^{r} D. will remember that at this proposal, I prepared to leave his house; declaring that rather than comply with his demand, I would resign all pretensions to the contract, and inform the board that some recent objections had arisen in my mind to engageing in the business — & I assured him that no treatment of his, should tempt me to betray him to them

"Finding me obstinate, he declared that he had no intention of demanding *any* thing of me, should the contract not succeed; but that as some person was concerned with him *who could not be mentioned*, it was necessary to have some sort of evidence of the amount he was to receive; and that he would rather the sum should be *defined* than *contingent*, and proposed the paper in existence, to which I agreed, on his *re-pledging* himself that it should only operate in case of success —

"The clause respecting information that might be given to the board of treasury was objected to at the time, because tho' I should not succeeded in Europe, within nine months from the 28th April 1787, yet I might eventually succeed; and therefore I ought not to be obliged to commit *felo de se* to my contract; or be bounden to pay the ten thousand Dollars before the event was known — M^{r} D. again declared that he had no intention of demanding payment, but in case of success; and in relying on his *honor* my signature was given —

"Permit me to sum up this head, by appealing to M^{r} D. to know whether at any one time from the first moment of my arrival from Europe, he has signified to me any expectations in consequence of the engagement, or even mentioned it, — M^{r} D. was to be interested in my contract; *instead of a share*, which would induce accounts and tedious investigations he requested an explicit sum, to be rec^{d} in a successful issue to my contract — The contract has failed, and M^{r} D. I am convinced does not think me bounden — to pay him *ten pence* — On my honor I declare his share, or explicit sum, was conditioned on the success of the contract!"

Duer responded:

"With Respect to the Copper Contract — The Representation given of it, is so different from I know it to be, that I think it altogether Unnecessary to enter into it — It would only be to oppose Assertion to assertion. — Insted of a Share in the Contract proposed — I informed M^{r} Jarvis, that I was under the Necessity of paying a Sum of Money at a fixed Period, and therefore preferred the Mode of a Stipulated Sum, to any thing Contingent — he proposed the Sum agreed on — and afterwards, by his Postscript in a Letter to me, in your Possession, declared it should be Eventually, honorably paid — If, I have not mentioned to Mr Jarvis, since his Arrival a Performance of his Promise in that Respect, it was because I did not think it convenient for him to discharge it, not that my Claim was a Nullity."

Whatever the truth of Jarvis's allegations and the merits of the question at issue, it is clear that by reason of his official position Duer exerted pressure on a person undertaking a federal contract and became a secret partner in that contract. One may observe also his astuteness in securing a definite rather than a contingent claim, and his caution in avoiding "written engagements." Like many another of Duer's enterprises, the contract fell through, for reasons which do not appear.[1] In all probability conditions changed so as to reduce its promise of profitableness, and the contractors had carefully seen to it that there was no penalty for failure to execute it.

Duer's largest single enterprise in this period was the so-called "Scioto speculation." In this he was the prime mover, although here, as in other instances, he managed to keep the extent of his participation long unknown to the public. With it were interwoven various other ventures. The fascinating, often baffling story of the Scioto Company has often been told, and fair accounts of it are now available.[2] Here no complete and well-rounded account of it is necessary; but it is desirable to throw into relief Duer's part in it, and to emphasize the problems and practice of management and finance.

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[1] Note the vote of July 6, 1787, regarding the design, quoted in *Mass. Centinel* (Boston), Aug. 4, 1787, and a statement in *ibid.*, August 11, that the coinage was taking place at New York.

[2] Good accounts are those of Thomas T. Belote, *The Scioto Speculation and the French Settlement at Gallipolis* (*Univ. of Cinn. Studies*, Cincinnati, 1907); E. C. Dawes, "The Scioto Purchase in 1787," in *Mag. of Amer. Hist.*, xxii, 470–482 (1889). Dawes also wrote the chapter on the subject in Cutler, *Manasseh Cutler*, and his paper on *The Beginning of the Ohio Company* (Cincinnati, 1882) is also worth consulting. Other important published sources are Cutler, *Manasseh Cutler;* Charles S. Hall, *Life and Letters of Samuel Holden Parsons* . . . (Binghamton, N. Y., 1905); *The Memoirs of Rufus Putnam* . . . compiled . . . by Miss Rowena Buell (Boston and New York, 1903); three papers read on the centennial anniversary of the city of Gallipolis, Ohio, October, 1900, published in vol. iii of *The Ohio State Archæological and Historical Society Publications* (Columbus, 1891); Henri Carré, "Les emigrés français en Amérique," in *Révue de Paris*, 15 Mai 1898; Charles Burr Todd, *Life and Letters of Joel Barlow* . . . (New York and London, 1886); A. B. Hulbert, *Methods and Operations of the Scioto Group of Speculators*

The Scioto project was a kind of illegitimate half-brother to a new Ohio Company.[1] As early as April, 1783, a proposal had been drawn up, which Washington recommended to Congress, for allowing the officers and soldiers of the disbanding army to take their pay in western lands. Claims of the states upon the lands caused adverse action at this time, and the accounts with the army were temporarily largely settled by the issue of interest-bearing specie certificates known as "final settlements." In January, 1786, however, two Massachusetts generals who had been earlier interested in the scheme, Rufus Putnam and Benjamin Tupper, called a meeting to form an association to purchase lands and undertake a large settlement on the Ohio. Delegates met in Boston in March and formed the *Ohio Company of Associates*, with an authorized capital of a million dollars in continental specie certificates. A year later the company met to learn that one-fourth of this capital was subscribed, and that the rest could easily be secured if Congress would modify its land ordinance of 1785 and grant a compact body of desirable lands on somewhat more reasonable terms. Thereupon Putnam, Gen. Samuel H. Parsons of Middletown, Conn., and Rev. Manasseh Cutler of Ipswich, Mass., were appointed directors and instructed to treat with Congress.

Parsons went to New York in May, 1787, and presented a memorial to Congress. Lack of a quorum prevented action, and Parsons returned home. Some of the leading Ohio associates were, moreover, dissatisfied with his proposals, and at their instance Cutler went on to continue the negotiations. He arrived in New York early in July, presented his petition, consulted with the committee on the subject, and gave acceptable advice

(1915); Justin Winsor, *The Westward Movement* . . . (Boston, 1897), chaps. 14, 18, 19. The chief manuscript sources are the *Gallipolis Papers* (Marietta, Ohio), *Scioto Papers*, *Duer Papers*, and *Craigie Papers*. I have not consulted the first of these, but much of its material is available in the other manuscript sources.

[1] On this company see esp. Cutler, *Manasseh Cutler;* Dawes, *Beginning of the Ohio Co.* It is to be distinguished from the colonial Ohio Company described briefly in Essay I, 96–97.

in the framing of the new ordinance for the government of the western territory, which was adopted July 13. He found, however, "a number in Congress decidedly opposed to my terms of negotiation, and some to any contract," partly because of fear that speculators rather than settlers would gain by so large a grant. Congress had earlier fixed a minimum price of a dollar an acre, one-third payable at the date of sale, and the balance three months after, on penalty of forfeiture of the first payment. The Ohio Company wanted a price of one-twelfth of a dollar per acre, payable in any continental securities (including "indents of interest"), in easy instalments spread over three years after the survey should be completed, with deeds passing for proportionate parts after a payment of $400,000 upon completion of the survey.

Negotiations proved disappointing, for Congress insisted not only on the high price, but on prompt payment, and Cutler realized well that the subscribers to the two hundred and fifty shares, largely would-be settlers, could never raise $500,000 "in 6 or 8 weeks, which was the longest time proposed." Subscriptions from others more able to pay promptly "were precarious." An ordinance was passed July 19, but Cutler disdained to consider it, and proposed leaving the city at once, to make a purchase from one of the states "on incomparably better terms." This attitude aroused anxiety, for there was need of filling the Treasury. Members "discovered a much more favorable disposition," and the committee insisted that Cutler stay until further negotiations could be had.

Meanwhile Colonel Duer, who had dined and wined Cutler on his arrival, had become interested and promised assistance. On July 20 he came forward with a solution, — that the contract be enlarged to about $4,000,000, the amount above $1,000,000 to be furnished by a capitalistic company "of a number of the principal characters in the city," headed by Duer. With so large a bait Congress might be persuaded to yield somewhat on terms. Cutler was especially in a position to consider the proposal, since Congress had refused to deal with the Ohio Company as such, unincorporated as it was, and would treat with Cutler and his fellow-agent Sargent "for themselves and associates." Cutler, moreover, could see in this scheme no disadvantage to the Ohio Company, and one distinct advantage, for the new associates offered to advance $100,000 toward the first $500,000, and it seemed probable that, in view of the enlarged area, the second payment for the Ohio Company tract might be deferred till the line had been run around it. He reasoned to himself that there was no "difference in ye view of Congress whether one, two or three Companies were concerned in ye purchase," but he thought it "necessary or at least prudent" to keep "ye separate purchases out of sight." Indeed Duer's condition of coöperation had been that "it should be kept a profound secret." Duer also offered Cutler "generous conditions," — which meant a large personal share in the supplementary purchase.[1]

The bargain was struck on the evening of July 20, after an evening closeted with Duer, following an "elegant" oyster dinner with a select party over in Brooklyn. Forthwith they launched a vigorous, carefully planned lobbying campaign, which promptly brought results. To quote Cutler's diary of July 23:[2]

> "My friends had made every exertion in private conversation to bring over my opposers in Congress. In order to get at some of them, so as to work powerfully on their minds, were obliged to engage three or four persons before we could get at them. In some instances we engaged one person, who engaged a second, and he a third, and so on to a fourth, before we could effect our purpose. In these maneuvers I am as much beholden to the assistance of Colonel Duer and Major Sargent.
>
> "The matter was taken up this morning in Congress, and warmly debated until 3 o'clock, when another ordinance was obtained. This was not to the minds of my friends, who were now considerably increased in Congress, but they conceived it better than the former; and they had obtained an additional clause empowering the Board of Treasury to take Order upon this Ordinance, and complete a contract on the general principles contained in it, which still left room for negotiation."

Such negotiation, needless to say, would be in favorable hands. For not only was Duer the very influential secretary of this board, but of its three members Walter Livingston was close to Duer and a weaker personality, while Samuel Osgood was favorably disposed.[1] July 24 Cutler writes:

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[1] Cutler, *Manasseh Cutler,* i, 229, 240–241, 293–296, and Cutler's letter defending his course, of which a typewritten copy is in the Harvard College Library.

[2] *Ibid.*, i, 297–298.

> "Spent the evening with Mr. Osgood, President of the Board of Treasury, who appeared to [be] very solicitous to be fully informed of our plan. No gentleman has a higher character for planning and calculating than Mr. Osgood. . . ."

Interruptions prevented full explanation, but next evening Cutler writes:[2]

> "Mr. Osgood desired me to dine with him, assuring me that he had purposely omitted inviting any other company, that we might not be interrupted in going over our plan.
>
> "I had been repeatedly assured Mr. Osgood was my friend, and that he had censured Congress for not consenting to the terms I had offered; but such is the intrigue and artifice which is often practiced by men in power, that I felt very suspicious, and was as cautious as possible. Our plan, however, I had not scrupled to communicate, and went over it in all its parts. Mr. Osgood made many valuable observations. The extent of his information astonished me. His views of the Continent and of Europe were so enlarged that he appeared to be a perfect master of every subject of this kind. He highly approved our plan, and told me he thought it the best ever formed in America. He dwelt much on the advantages of System in a new Settlement, said System had never before been attempted; that we might depend on accomplishing our purpose in Europe, and that it was a most important part of our plan. If we were able to establish a settlement as we proposed, however small in the beginning, we should then have surmounted our greatest difficulty; that every other object would be within our reach, and, if the matter was pursued with spirit, he believed it would prove one of the greatest undertakings ever yet attempted in America. He thought Congress would do an essential service to the United States if they gave us the land, rather than our plan should be defeated, and promised to make every exertion in his power in our favor. We spent the afternoon and evening alone and very agreeably."

The slate of officers for the new territory, moreover, was slightly revised in the interests of harmony. Cutler preferred Parsons for governor, but diplomatically urged in his stead Arthur St. Clair, president of Congress, and pushed Parsons merely for the first judgeship, and Sargent, secretary of the Ohio Company, for secretary of the territory.[3] On July 24 the Board of Treasury —

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[1] On Livingston see further *infra*, chap. 7. Osgood became the first Postmaster-General, after having been talked of for Comptroller of the Treasury: *Craigie Papers*, i, 35. See also *infra*, 168.

[2] Cutler, *Manasseh Cutler*, i, 299–300.

[3] *Ibid.*, i, 297–298.

Duer, secretary — wrote Cutler enclosing the resolutions passed the day before, and asked if he would close a contract on the terms stated. After consulting with Duer — private agent for the invisible group of capitalists — Cutler and Sargent informed the board that the terms were still unacceptable and submitted, as an ultimatum, certain amendments.[1] For the next two days the attention of Congress was distracted by foreign business. On the morning of July 26, Cutler accompanied Generals Knox and St. Clair on a tour of official visits. At the close Cutler writes:

> "General St. Clair assured me he would make every exertion to prevail with Congress to accept the terms contained in our letter. He appeared much interested and very friendly, but said we must expect opposition. I was now fully convinced that it was good policy to give up Parsons, and openly to appear solicitous that St. Clair might be appointed governor. Several gentlemen have told me that our matters went on much better since St. Clair and his friends had been informed that we had given up Parsons, and that I had solicited the eastern members in favor of his appointment.
>
> "I immediately went to Sargent and Duer. We now entered into the true spirit of negotiations with great bodies; every machine in the city that it was possible to set to work we now put in motion. . . . The Board of Treasury, I think, will do us much service, if Dr. [Arthur] Lee is not against us. Though Duer assures me I have got the length of his foot, and that he calls me an open, frank, honest New England man, which he considers as an uncommon animal, yet from his natural jealous, cautious make, I feel suspicious of him, especially as Mr. Osgood tells me that he has made every attempt to learn his sentiments, but is not able to do it. His brother, Richard Henry Lee, is certainly our fast friend, and we have hopes that he will engage him in our interest. . . . Unfortunately there are only eight states represented, and unless seven of them are in favor no ordinance can pass. Every moment of this evening until two o'clock was busily employed. A warm seige was laid on Few and Kearney ['that stubborn mule'] from different quarters, and if the point is not effectually carried the attack is to be renewed in the morning. Duer, Sargent and myself have also agreed, if we fail, that Sargent shall go on to Maryland, which is not at present represented, and prevail on the members to come on, and to interest them, if possible, in our plan. I am to go on to Connecticut and Rhode Island, to solicit the members from these states to go on to New York, and to lay an anchor to the windward with them. As soon as those states are represented Sargent is to renew the application, and I have promised Duer, if it be found necessary, I will then come on to New York again."[2]

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[1] Printed in *St. Clair Papers*, ii, 620–621.

[2] Cutler, *Manasseh Cutler*, i, 299–304. Dawes, in the appendix of his *Beginning of the Ohio Co.*, reprints the resolution of Congress, July 23, the letter of Cutler and

Finally, at half past three on July 27, the Doctor received the very agreeable intelligence that Congress had passed an ordinance "on the terms stated in our letter, with out the least variation, and that the Board of Treasury was directed to take Order and close the contract." That board urged him to tarry a day, writes Cutler,

> "and they would put by all other business to complete the contract. . . . Dr. Lee congratulated me and declared that he would do all in his power to adjust the terms of the contract, so far as was left to them, as much in our favor as possible. I proposed three months for collecting the first half-million dollars and for executing the instruments of Contract, which was acceded to."[1]

In short, Cutler's mission had been extraordinarily successful. He had not obtained all he asked for. But he had arranged "the greatest private contract ever made in America" and, as he saw it, his journey "had in every view been prosperous, but in many respects infinitely exceeded my expectations."[2] He regarded Duer's support, and the combination with the "private speculation," as essential factors in his success. And he wrote most warmly of the Colonel, "who took his leave in a most affectionate manner":[3]

> "He is a gentleman of the most sprightly abilities, and has a soul filled with the warmest benevolence and generosity. He is made both for business and the enjoyment of life, his attachments strong and sincere, and diffuses happiness among his friends, while he enjoys a full share of it himself."

The final ordinance[4] provided for the purchase, by Cutler and Sargent for themselves and associates, of a designated tract covering five or six million acres, at one dollar per acre "payable in specie, loan office certificates reduced to specie value, or certificates of liquidated debts of the United States," subject to allowance for bad lands, incidental charges, and so forth not to exceed one-third of a dollar per acre; while those having bounty rights against the United States were to receive acre for acre to an aggregate not exceeding one-seventh of the total. Payments were to be $500,000 on execution of the contract, another half million

Sargent, July 26, and the revised ordinance passed July 27, which appear in the *Journals of Congress*, xii, 221–224.

[1] Cutler, *Manasseh Cutler*, i, 305.

[2] *Ibid.*, i, 326, 305, 318.

[3] *Ibid.*, i, 305–306.

[4] Printed in *St. Clair Papers*, ii, 618–621.

when the tract should be surveyed by the proper federal officers, and the balance in six equal semi-annual instalments after the date of the second payment, with interest from the completion of the survey. Upon the payment of a million dollars the title was to pass for the amount thus paid for, and thereafter title was to pass at such periods and upon such conditions as the board might agree with the purchasers! No security for the ultimate payment was insisted upon, but the right of entry and occupancy was secured only as to lands paid for. The hand of the beneficiaries can be clearly seen in these terms.

The negotiators assumed that a net price of two-thirds of a dollar per acre would be secured. Thus the Ohio Company's $1,000,000 capital would buy a million and a half acres. The private arrangement was that, with Duer's temporary assistance, the Ohio Company should make the first two payments and then receive full title to the lands it desired. The Scioto group would then have additional time to raise the further instalments, and its failure would not injure the Ohio Company. Two separate contracts were therefore called for. For these Cutler made tentative arrangements with the Board of Treasury before leaving New York. Congress evidently had not contemplated two groups of purchasers,[1] and probably those members who gave the matter any thought assumed that the Ohio Company would enlarge its capital to make the larger purchase. This might have been done, but it would have been dangerous finance, for shareholders in the Ohio Company would have been liable for all its debts. The division between the two companies was, in one aspect, a device to limit the liabilities of each company.[2] Nevertheless the execution of separate contracts was quite within the authority of the Board of Treasury as granted by the ordinance, which authorized contracting with "any person or persons," and at least Osgood had his eyes wide open in the making of them.

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[1] Cf. Attorney-General's opinion, March, 1794, in *Amer. State Papers, Public Lands*, i, 23.

[2] In the light of these facts, the protest in the Cutler-Sargent ultimatum against the requirement of security for ultimate payment appears insincere: "our private fortunes, and that of most of our associates, being embarked in the support of this enterprise, it is not possible for us to offer any adequate security, but that of the land itself, as is usual in great land purchases": *St. Clair Papers*, ii, 620–621. This would have been true for most of the then members of the Ohio Company.

On August 29 Cutler reported to the "Directors and Agents of the Ohio Company" in Boston the ordinances of Congress and his tentative agreement with the Board of Treasury. He said nothing, except perchance to a chosen few, of the discrepancy between this and the ordinance, or of the private arrangements with Duer.

> "The propriety of accepting, as a Company, the option of purchase in addition to the 1,500,000 acres, included in the ordinance of Congress, was discussed, but no action was taken upon it, because of the opposition of many shareholders, who declared that they would withdraw from the Company if any thing beyond the original purchase was undertaken." [1]

The Ohio Company shareholders at large remained for some time in entire ignorance of the intimate connection with the Scioto associates. So Cutler's proceedings, as reported, were "fully approved, ratified, and confirmed." [2]

The essential object now was to fill the subscription list, for only about one-fourth was yet subscribed, and to get the subscribers to pay over one-half of their subscriptions, in order that the contracts could be made and the first half million paid. Handbills were circulated and agents employed, and while "the extreme scarcity of money" was a bothersome factor,. much enthusiasm was aroused throughout New England, on the part of both investors and settlers.[3]

The Scioto associates here again rendered material aid. One of them, Col. Richard Platt, was on August 29 elected treasurer of the Ohio Company, partly on the ground that he "held a large sum in public securities, had interested himself much in the Company, and might probably be prevailed upon to loan some of them to the Company if we should fail of collecting the whole of the first payment by the time proposed." [4] In accordance with Duer's engagement to advance $100,000 on the first payment, to be repaid without interest from the first collections (except $30,000 which should constitute his investment in the Ohio Company), these financiers, Duer being the ostensible party, were drawn upon for $143,279$\frac{43}{90}$, for which they were soon reimbursed.[1] On Oct. 27, 1787, therefore, Cutler was able to sign the contracts with the Board of Treasury and hand over $500,000 in public securities.

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[1] Cutler, *Manasseh Cutler*, i, 496.

[2] *Ibid.*, i, 319–320, 495–496. For the outcry later, see *infra*, 141.

[3] Cutler, *Manasseh Cutler*, i, 191–192, 306, 321–324, 333, 372, 374, 376; Hulbert, *Scioto Group*, 20, 23 n.

[4] Cutler, *Manasseh Cutler*, i, 322, 331, esp. the letter of Cutler to Hazard, Sept. 18, 1787, and E. F. DeLancey's note on Platt. Cutler had favored another for the post, but Platt was a favorite with the army officers, who had large voting power.

The first contract was signed with Cutler and Sargent as "agents for the directors of the Ohio Company of associates so called," for 1,500,000 acres north from the Ohio River to a due east and west line, between township ranges seven and seventeen. The second contract was with the same two gentlemen "for themselves and associates," for the larger remainder of the tract designated in the ordinance and lying north and west of the Ohio Company tract.[2]

Two days later, furthermore, a private contract was signed between Cutler and Sargent for themselves and associates with William Duer for himself and associates. By its terms the interest in the larger purchase was divided into thirty equal shares, thirteen to belong to Duer and his assignees, thirteen similarly to Cutler and Sargent and their assignees, and the remaining four to be disposed of abroad on joint account. The two sets of shareholders were to share equally in profits or losses which might "accrue in attempting to negotiate the sale or mortgage of the same," "either in Europe or America," "and in paying the purchase money due to the United States."[3]

The association known as the Scioto Company was based simply upon this contract and upon supplementary contracts of assignment from its principals. No charter was sought, no articles of association were subscribed. Its membership cannot be fully ascertained, because of the informality and secrecy of its procedure.[1] It is clear, however, that the Ohio Company leaders had a large stake in it — as large indeed as that of the New Yorkers. Cutler and Sargent originally held thirteen shares and seem to have retained one apiece. They soon assigned one-sixth of eleven shares each to Parsons, Tupper, Putnam, and Royal Flint — the last named a typical go-between, a Connecticut man in business in New York and intimate with Duer. On November 27 Cutler and Sargent assigned a half share to Joel Barlow, the Hartford littérateur who had commended himself to them by procuring subscriptions to numerous shares in the Ohio Company. Cutler soon "gave to Rev. Daniel Story one-half of his interest to induce him to settle in Marietta." "Putnam assigned part of his interest to Col. R. J. Meigs, Sr.," another Marietta settler. There were doubtless further assignments of the New England half.

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[1] Cutler, *Manasseh Cutler*, i, 495, 380; Hulbert, *Scioto Group*, 4; Belote, *Scioto Speculation*, 65–67; Platt certificate of Nov. 13, 1788, a manuscript copy of which is in the Harvard College Library.

[2] See Allen Johnson, *Union and Democracy* (*Riverside Hist. of U. S.*, II, Boston, 1915), for map showing these grants.

[3] This contract is in the *Craigie Papers*, ii, 50, and is printed in Belote, *Scioto Speculation*, 65–67, and in "pretty full abstract" in Todd, *Joel Barlow*, 60–62. Cf. *ibid.*, 61; Cutler, *Manasseh Cutler*, i, 496–497.

The New York moiety was unquestionably divided largely among the "principal characters" who had concocted the scheme and aided so essentially in the lobbying with Congress and putting up the funds for the first payment of the Ohio Company. Richard Platt received one share. One of the leading members, after Duer himself, was Andrew Craigie of Boston and New York. Craigie had been apothecary-general of the Revolutionary army, and afterward a wholesale merchant in New York, dealing chiefly in drugs, teas, wines, etc. From 1784 on, he was active in accumulating public securities, and soon became a heavy dealer. In 1787 he visited London, probably at Duer's suggestion and certainly with a view to strengthening himself with Duer, to consult with Daniel Parker; and he came back as agent for settling Parker's old affairs and his American correspondent in new business.[2] Craigie was originally interested to a considerable extent in the Scioto purchase, but he made some assignments and later denied having any interest at all.[1] He in turn interested Nalbro Frazier, a Philadelphia merchant, to the extent of five thousand acres;[2] and Samuel Rogers, a London merchant, similarly to some extent.[3] James Jarvis, of copper contract notoriety, received a fraction for securing subscriptions to fifteen shares in the Ohio Company which were to constitute part of Duer's investment in it.[4] John Holker, the bankrupt American agent of the French navy, received a portion in exchange for his claims against the United States, or against the firm of Daniel Parker & Co.[5] Thus the shares in the "speculation" afforded the insiders a currency which could be and was traded off for all sorts of assets and advantages. It is highly probable that several others who were closely associated with Duer and Craigie, such as William Constable,[6] Melancthon Smith, and Seth Johnson of New York, and Christopher Gore of Boston, were involved;[7] but of this conclusive evidence is lacking. It is to be presumed, however, in view of the secrecy of the whole matter and the comparatively small need of ready funds, that the association was limited to a small number who could be well trusted. Duer was the recognized chief among the associates, was relied upon throughout to direct the entire business, and probably continued to hold the largest single interest.

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[1] Belote's Appendix (*Scioto Speculation*, 61–62) on "Who Constituted the Scioto Company" is disappointingly meagre. Cf. Hulbert, *Scioto Group*, and Dawes, in Cutler, *Manasseh Cutler*, 487–498, and Duer's statement quoted *infra*, 231–232.

[2] Unlike Duer, Craigie was most careful of his letters, account books, and memoranda; and his voluminous *Papers* in the American Antiquarian Society have been a leading source of my material on several aspects of Duer's career. On Craigie himself, see esp. A. B. Hulbert, "Andrew Craigie and the Scioto Associates," in *Amer. Antiq. Soc. Proc.*, New Series, xxiii, 222–236 (1913), and references cited.

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[1] See *infra*, 233.

[2] Cf. Frazier-Craigie letters, in *Craigie Papers*, ii, 170, 171, 173. Frazier's first, of May 22, 1788, shows the informal manner in which the assignment was made: "I observe you have been pleas'd to interest me in a land Speculation which you have lately made to the amount of *5000* Acres as I have the utmost confidence in your Friendship I am much obliged to you for it knowing you wo^{d} not have done it but from a conviction that I sho^{d} be benefited by it — let it turn out as it may I shall conceive myself as interested so far as you have mention'd, and always ready to reimburse you for any Expences which you may have paid on my account — I sho^{d} like to be inform'd where the lands are situated, with the terms they were purchas'd upon, & your reasons for the probability of the success of it."

[3] Craigie to Rogers, April 10, 1790, in *ibid.*, i, 54.

[4] *Craigie Papers*, ii, 55, iii, 32, quoted in Hulbert, *Scioto Group*, 20–21.

[5] See esp. Craigie to Holker, Sept. 1, 1790, in *Craigie Papers*, i, 78; also Craigie's letters in *ibid.*, i, 31, 50, 57, 254–259.

[6] Cf. Constable to Craigie, January, March, 1790, in *Craigie Papers*, ii, 232, 233.

[7] These were properly designated as "principal characters" of the city, but Duer may have exaggerated in his report to Cutler the extent of such interest in the project.

The Ohio Company at once began its settlement. Congress organized the government Oct. 5, 1787. Cutler published in November a roseate "Description of the Soil, etc." of the purchased tract, which the Geographer of the United States certified as correct to the best of his knowledge. Parties left for the west December 1 and January 1. The next summer territorial officers and more settlers arrived.[1] The usual pioneer hardships were encountered, as well as Indian threats, followed soon by depredations. The company was racked by internal dissensions, the result partly of inevitable divergence of interest between the settling members and the capitalist members, and partly of suspicion and criticism aroused by the Scioto deal.[2]

Furthermore the company faced a serious financial problem. Its title depended on the payment of a second $500,000 in public securities at the completion of the survey. But the entire subscription was not filled, and as usual many subscribers were delinquent. A prime reason for this was the appreciation of the federal securities, which subscribers had counted upon using to make payments. Already on Feb. 20, 1788, Cutler wrote Platt:[3]

> "Continental Securities have been falling in Boston since my last return from New York, and it was presumed adventurers who have not paid for their shares would purchase them at 2s. 6d. To prevent their rising, it has been proposed that individual adventurers should not apply to the *Brokers*, but deposit their hard money in the hands of one man only, who should get them on the best terms in his power. A considerable sum has been put into my hands, but the ratification of the *Federal Constitution* has given them a sudden start, and raised them to 3s. 6d., altho' there are very few purchasers, and those principally who wish to keep them until they rise to *par*.
>
> "This sudden rise of securities very materially affects many of our most valuable adventurers, men who intend immediately to go into the Country with their families, are possessed of small property, and will be just able to get themselves into the country, after paying for their lands, but men that are of the greatest consequence to every other description of adventurers, as it depends on them to cultivate the Country and render it valuable.

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[1] Cutler, *Manasseh Cutler*, i, 319–322, 330–332, 377–437; Hall, *S. H. Parsons*, 511–531; *Putnam Memoirs*, 103–107; *St. Clair Papers*, ii, 53–57.

[2] Cutler, *Manasseh Cutler*, i, 412; *Providence Gazette*, Sept. 30, 1791; *National Gazette*, Oct. 17, 1791; MS. minutes of a meeting of Rhode Island shareholders, Sept. 20, 1788, and their letter of September 25 to Col. John May, copies in Harvard College Library.

[3] Cutler, *Manasseh Cutler*, i, 380–381.

> "On account of this class of settlers, I wish you to inform me at what price you will procure securities to the amount of 20, 30, or perhaps 40 shares. If it should be agreeable to you to procure securities, and the price be agreeable to adventurers here, it would be most convenient to forward a *Bill* on some gentleman in New York, as . . . I likewise wish to be favored with your opinion on the probability of securities rising above the present exchange."

Cutler wrote Putnam on April 9, 1789,[1] saying that while applications for shares had lately come in and many who had paid only in part were beginning to make exertions to complete their payments, his agency was still one-half deficient, and to attempt a forfeiture of those who had paid only part would "raise a prodigious clamor against the Company." He continues:

> "Another difficulty in making payments has been the rise of securities, at first occasioned by a Dutch speculation to a great amount, since by a general (but stupid) belief that the new Congress will pay the interest in hard money. They are now from 4s. 6d. to 5s., but those who are best informed are confident that the new Congress will make no other establishment for the payment of the Domestic debt than the western lands; that principals and interests will be received in payment; for if the interest was to be paid in silver the domestic debt would be immediately transferred to a foreign one; that Congress had better pay 6s. to her own subjects in lands than 2s. to foreigners in coin. Should Congress confirm the former establishment for paying the domestic debt, and admit indents, securities would instantly fall, and we should meet with no difficulty in collecting the remainder of our money."

Securities, however, continued to rise as the federal government was established under the new Constitution;[2] and the Ohio Company, as well as the Scioto Company, found itself injured by that generally desirable event and by the funding policy which accompanied it. Accordingly negotiations were entered into with Congress, at the session of December, 1789, for a compromise.[3] Putnam wrote Cutler December 20:[4]

> "I am told that final settlements are rising, and, if so, we shall never be able to collect the whole sum necessary to complete the payment according to contract, and, of course, shall be under the necessity of compromising with Congress somehow or other. . . . General Parsons . . . is

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[1] Cutler, *Manasseh Cutler*, i, 443–444.

[2] See *infra*, 187–188.

[3] Cf. Cutler to Sargent, Sept. 28, 1789, in Cutler, *Manasseh Cutler*, i, 448–449: "There will be from 50 to 100 shares delinquent, but think we shall be able to obtain a deed for the whole purchase, should we succeed with Congress agreeably to our wishes."

[4] *Ibid.*, i, 450.

very urgent for a settlement with Congress, and the obtaining a title, even though a considerable sacrifice is made. So am I."

On March 21, 1790, Cutler wrote Rev. Mr. Everett, after some months in New York:[1]

> "Our object is to obtain a reduction of the price we were to give for the land. We have not yet applied to Congress, but we have reason to believe we shall succeed to our utmost wishes. Our time has been employed in securing the interest of the members, by stating to them, at their private lodgings, the principles and facts on which we shall found our petition, while we have been waiting for Congress to fix the price for future sales. If we obtain the lands at twenty cents, of which I at present have little doubt, we shall make a saving to the Company of more than $500,000, and in the same proportion increase the value of the shares."

Cutler's assiduous and experienced efforts[2] were in all probability heartily seconded by those of Duer, who was stimulated the more by the importance to the Scioto Company of having the Ohio Company contract fulfilled and at the same time by the need for lower terms for the Scioto purchase. Yet for the time, partly because of the pressure of business in Congress, their efforts were unavailing. In December, 1790, Sargent was eager to have the application renewed early in the coming session.[3] But it was not until March 2, 1792, that the formal petition of the company was presented, and only by act of April 21, 1792, was a satisfactory compromise effected.[4]

The Scioto associates, on the other hand, never planned direct colonization. Theirs was purely a "speculation," a business enterprise. They had secured a right to buy of the United States a mammoth tract on specified terms; no cash or securities had yet been paid for this or would be required for some time. This tract the associates would arrange to sell, chiefly to other considerable capitalists abroad, particularly in Holland and France, where large blocks of depreciated American securities were held and a fever for speculation in and settlement on American lands was growing; or else, on the security of unsold tracts, they would borrow from Paris or Amsterdam bankers. With funds from sales or loans they would settle with Congress. In short, they would act as a middleman in the marketing of United States lands and incidentally promote the reduction of the national debt, the raising of the credit of the United States, and an earlier settlement of the back country. To the adventurers the venture offered a reasonable prospect of large profits at comparatively small risk, for if purchasers could not be found before the first instalment should become due, only the expense of trying to find them would have been sunk; thanks to the astuteness of the negotiators, the associates were protected from liability on the contract with Congress.

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[1] Cutler, *Manasseh Cutler*, i, 461.

[2] *Ibid.*, i, 451–464, 470.

[3] Flint to Craigie, Dec. 7, 1790, in *Craigie Papers*, ii, 31.

[4] See the petition, the act, and some account of the negotiations, in Cutler, *Manasseh Cutler*, i, 470–488.

It is easy, and in the eighteenth century as well as in the twentieth it has frequently been popular, to damn an enterprise by dubbing it a "speculation." Yet in the project of the Scioto associates there was nothing illegitimate, from public or private standpoint. It was one of a considerable number of land-marketing enterprises which were not then recognized and cannot be denounced to-day as hostile to the public interest. Hamilton voiced no biassed sentiment when he included speculators in his "Plan for Disposing of the Public Lands," July 20, 1790:[1]

> "Purchasers may be contemplated in three classes: moneyed individuals and companies, who will buy to sell again; associations of persons, who intend to make settlements themselves; single persons, or families now resident in the Western Country, or who may emigrate thither hereafter. The two first will be frequently blended, and will always want considerable tracts. The last will generally purchase small quantities. Hence a plan for the sale of the Western lands, while it may have due regard to the last, should be calculated to obtain all the advantages which may be derived from the first two classes."

Righteous indignation needs to be reserved merely for underhandedness in securing the contract, for which the Ohio Company leaders were equally blameworthy, and for some methods of the Scioto leaders in their efforts to carry out the project.

By the contract of Oct. 29, 1787, by which Cutler and Sargent formally took Duer and his associates into the second and larger contract, Duer was authorized to negotiate the European loans or sales and empowered to appoint an agent for the negotiation, acting under Duer's instructions, subject to frequent reports to Cutler regarding the progress of the negotiation and communications relating thereto. It was agreed that the present agent for this negotiation should be Royal Flint, and that if it should become necessary to substitute another, the three principals should agree upon him.[1] Already Cutler had written Sargent:[2]

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[1] *Amer. State Papers, Public Lands*, i, 8.

> "I am pleased to hear that Mr. Flint is about to go on to New York. Wish him now in Europe. . . . Mr. Flint will be able to carry with him our new federal constitution, which I think a very favorable circumstance. Is there not a tolerable prospect of his being able to negotiate in England? Our associates at New York and Mr. Jefferson will be, perhaps, the best judges. Our prospects abroad, at any rate, I think, brighten upon us."

And he discussed briefly "the matter of supplies" of funds.

Flint was a typical agent. He had served as paymaster for Connecticut during the Revolution, and lately had been engaged as a commissioner for settling the accounts of the eastern states with the federal government, an appointment which he probably owed to Duer. He was Duer's most trusted lieutenant, now and for the next four or five years. But he commanded the respect and confidence of men of less speculative propensities.[3] Could he have gone to Europe, the history of the Scioto purchase might have been far different from what it actually became.

Unfortunately, however, Flint was taken ill and could not go. The business could not well be delayed till his recovery. Another agent had to be found.[4] For the job Cutler and Flint pushed Joel Barlow, the young Hartford editor, versifier, and lawyer.[5] In the spring before, he had published a small octavo epic, *The Vision of Columbus*, which aroused some applause in America and was soon republished in London and, in translation, in Paris.

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[1] Todd, *Joel Barlow*, 61.

[2] Sept. 29, 1787: Cutler, *Manasseh Cutler*, i, 333–334.

[3] On Flint see esp. Dexter, *Yale Biographies*, iii, 477–478; *Conn. Pub. Recs.*, ii, *passim;* and further in Essay III, 393–395, 397, 410–411, 417.

[4] Jarvis, active agent in the copper contract referred to above, claimed that he had been promised a joint agency with Flint, but Duer denied this: *Craigie Papers*, ii, 55.

[5] Todd, *Joel Barlow*, esp. 46–54, 63.

His literary reputation, slight though it was, was his principal qualification for the agency, for his attainments as a lawyer were very moderate and his business experience, except for some effective work in procuring Ohio Company subscriptions, was practically *nil*. On Feb. 20, 1788, Cutler wrote Platt:[1]

> "The sickness of Mr. Flint I conceive to be extremely unfortunate. Mr. Barlow is the only man, within my knowledge, that can be obtained, to whom I should feel myself willing to intrust our business, and have much regretted that he has not been appointed. He seems to be preferred to any other man by Flint, who offers to compensate him until he shall be able to go to Europe and take the business into his own hands."

Duer was reluctant to appoint him and was supported by others in his reluctance. Platt wrote Barlow as late as April 27, 1788, referring to letters from Jarvis and Daniel Parker in Europe to Duer and Craigie "on the subject of our European speculation," expressing regret that the business had gone so far as to cause Barlow expense and inconvenience, and remarking, "but for me to urge your going, contrary to the opinions of Duer, Craigie, & these Gentlemen in Europe could not be done with propriety."[2] Finally, however, Duer was won over, against his better judgment. On May 14 he assigned Barlow a half share in the Scioto purchase.[3] Flint had already in March assigned Barlow four-ninths of his own holdings and a share in another purchase, not yet contracted for, which he and one Joseph Parker had arranged for with Congress in October, 1787, — two million acres on the Wabash and a million on the Mississippi.[4] On May 16 Duer signed his formal power of attorney for the Scioto associates

> "to undertake and conclude such engagements with such bodies or such individuals as he shall judge the most suitable for the interest of the Company in disposing of the territory they have acquired of the United States altogether or to bond it for whatever sum he shall judge suitable;"

and Duer engaged in the name of the company to ratify his engagements.[5] He was furnished also with various letters of introduction, but he was given no explicit instructions in writing. Thus armed, Barlow took ship from New York May 25, 1788.

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[1] Cutler, *Manasseh Cutler*, i, 381–382. I have seen no evidence to support Belote's passing assertion that Craigie was the intended agent of the Scioto associates in Europe.

[2] *Scioto Papers*.

[3] *Ibid.*

[4] *Ibid.* Cf. *Journ. of Cong.*, Sept. 30, 1788, xiii, 151.

[5] *Scioto Papers*.

Among Barlow's letters of introduction was one to Daniel Parker, who had now well recovered his footing.[1] Three months before Barlow sailed Craigie wrote Parker from New York:[2]

> "Col? Duer has informed me of his having written to you on the subject of a Land speculation. he has conversed with me respecting it, & more fully than would have been prudent to have written, & I confess I am exceedingly pleased with the object he has in view —
>
> "there appears to be a combination of circumstances to ensure very extensive advantages. He will write you by this packet & perhaps give you a hint respecting an Association which will unite respectable Interests both here and in Europe for the purpose of establishing a settlement which will secure to the Association a great share of the *Furr Trade*. I can at present say no more. Mr Jarvis is not informed of the object above alluded to — He will however have it in his power to give you much information respecting the Ohio Compy & Scioto Lands, in which I shall most certainly be interested as far as I can possibly afford. I expect a person will be sent to Europe & united with you in an Agency to negotiate the Business of the concern.
>
> "I have had a long conversation with D[uer] respecting our friend Col? S. He will write to him by this packet & exert himself in *the Business*.
>
> ". . . D[uer] has great influence. . . .
>
> "I am the more convinced every day, that great things, very great things may be done in this Country, if certain Interests in Europe & in this Country are combined. the advantages of certain speculations may be made sure, and it will be in your power to connect the most usefull characters in this country with such characters in Europe as you may think proper to engage with."

By Barlow Craigie further wrote Parker:[3]

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[1] Cf. Craigie to Parker, April 1, 1788, Gore to Craigie, Aug. 31, Sept. 18, 1788, and Frazier to Craigie, Aug. 12, 1790, in *Craigie Papers*, i, 14, ii, 68, 71, 173.

[2] *Ibid.*, i, 12: letter of Feb. 20, 1788.

[3] Undated, unsigned letter in *Craigie Papers*, i, 11. After discussing conditions affecting the possible future course of public securities, he adds: "Mr Barlow will converse with you on this subject & communicate my sentiments." Cf. also Craigie to Parker, May 7, 1788, in *ibid.*, i, 16: "Things are now in what I think a very promising train but I shall give you a very particular detail thru Mr. Barlow who embarks in a few days, for Europe & who will immediately wait upon you. . . . It is now of consequence that my communications be made with the utmost care because a miscarriage of a Letter might be very injurious to you I therefore shall only observe now in general Terms that the Business is going on as well, all circumstances, considered as could be expected."

"This will be handed by M^r Barlow whom I recommend to your kindest Attention. He will inform you of the Object of his voiage, in which you have an interest. It is a concern which I have encouraged all in my power not merely on acct. of the advantages it promises, which I think considerable, but in order to strengthen my union with D[uer] & thereby facilitate your other Operations. should M^r Barlow require any pecuniary Assistance (which is what I do not expect) & you will be able conveniently to aid him I will be answerable to you for whatever advances you may make for his Expences."

Barlow and his errand were also commended soon after he left, though probably without his knowledge, by the renowned Washington[1] himself, who already owned lands in Ohio, was active in the scheme to improve a water route to that country, and had been in Philadelphia when the Ohio-Scioto ordinance was passed in New York.

Many conditions, therefore, were favorable and Barlow had a magnificent opportunity to make his reputation as a land merchant.[2] But the American associates were staking heavily on his yet untried and untrained abilities.

Barlow set out jauntily enough. On June 24 he landed at Havre. At Paris he met Daniel Parker. With him he set out for London July 12. There he dined with various individuals and met others. In September he went with Parker to Amsterdam, to talk over with the Van Staphorsts, bankers interested in American funds, the business connected with the lands, but without accomplishing anything definite. Thence they returned to Paris, where they dined with Jefferson and Lafayette. With this Barlow's relations with Parker seem to have ended. One can infer that Parker, who was not prepossessed in Barlow's favor, did not find him especially congenial or serviceable as a business associate and was quite willing to leave him to hoe his own row. Parker's lukewarmness toward the enterprise developed into coldness and contempt, and he was soon associated with the Morrises, who were definitely hostile to the Scioto scheme and its handling.[1] The whole winter following Barlow spent in extending his acquaintance: both in England and France he spent much valuable time in what seems to-day — and sometimes seemed even to him — a somewhat leisurely fashion, learning to know the country and the people who seemed worth knowing from any standpoint, without making evident progress in the business with which he was charged. "His reputation, as well as his connection," his biographer writes, "admitted him to the choicest circles of French society."[2] Here we leave him in order to examine certain other enterprises in which in this interval Duer was engaging, — enterprises which in part promised to work in with the Scioto venture and in part offered greater profit to balance its possible fruitless outlays.

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[1] See Washington to Richard Henderson, June 19, 1788, in Pickell, *Potomac Company*, 151–152; and Essay IV, chap. 3.

[2] Barlow's opportunity was even greater than might appear, for success would have put him in line for other important jobs as American agent. In September, 1788, he was considered for membership on two boards of commissioners, in London and Amsterdam respectively, who were to settle the affairs of the bankrupt Amsterdam firm of De la Lande & Fynje and the related London firm of Geyer, De la Lande & Fynje: Craigie to Jared Ingersoll, Sept. 8, 1788, in *Craigie Papers*, i, 21. Later he was talked of as the agent to dispose of the great Gorham-Phelps purchase, in which Robert Morris, Melancthon Smith, Craigie, and probably Duer were interested.

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[1] Cf. Porter's letters to Craigie, May 7, Dec. 10, 1790, in *ibid.*, ii, 146, 167, — and N. Barrett to Craigie from London, Oct. 7, 1790, in *ibid.*, iii, 3: "M^r P. has no concern with the Business & has all along declined having any." Cf. Craigie to Parker, Oct. 6, 1790, in *ibid.*, i, 92.

[2] Todd, *Joel Barlow*, 68, 70, 73–85, quoting from Barlow's diary. Cf. Barlow to Duer, June 25, 1788, in *Scioto Papers*.

CHAPTER III

INTERNATIONAL AFFILIATIONS, 1788–90

THREE weeks before Joel Barlow landed, there sailed from Havre for America a French man of letters, Jean Pierre Brissot de Warville.[1] He had for some time been an enthusiastic admirer of America and American political principles. He was a friend of Hector St. John Crèvecœur, whose recently published *Letters from an American Farmer* were widely read in France and America. He had already published (1786), among other things, a criticism of certain aspersions on America and Americans which appeared in the *Travels* of the Marquis de Chastellux. He had developed an eagerness for a better understanding and closer relations, social and commercial, between France and the United States, and with Crèvecœur and a few others had formed in Paris the "Société Gallo-Américaine" to promote these objects.[2] He was also much interested in an abolition society, "Amis de Noirs." His visit offered opportunities at least to spend an interesting year, to write another book, and to do something definite toward binding the two countries together.

But his motives were not simply literary and patriotic; they were in large part, indeed probably primarily, those of business. On a visit to Switzerland in 1782 Brissot had fallen in with a Genevese banker, Étienne Clavière. The banker removed to Paris not long after, and there the acquaintanceship ripened into intimacy. Early in 1785, when Brissot was in need of visible means of support for his family, Clavière offered him "un asile" and a position with him. The nature of this connection, significant for our purposes, is well expressed in Brissot's own words:[1]

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[1] On Brissot see esp. the introduction by the editor, M. de Lescure, in the *Mémoires de Brissot* (Paris, 1877), and the recent life of him by Eloise Ellery (New York, 1915).

[2] Note a half column on the Gallo-American Society in the *Mass. Centinel*, Dec. 8, 1787.

> "I accepted. Speculation in the public funds was at this time beginning to attract general attention, and daily becoming more violent. Clavière, whose property was heavily invested in these funds, found it advisable to participate in the speculation in order to protect his fortune. It is but just to say that a large-minded morality dominated his calculations. He sought to discourage such speculation as was immoral, or prejudicial to the public interest. He was ever speaking against charlatanism, and on the side of reason. Once engaged in the struggle, he wished to support his cause with the pen. He had . . . an unfailing stock of new, broad, captivating ideas; but he lacked the art of expressing them. He had no analytical skill, no order in his ideas, no clearness of style. He thought superbly, but he needed some one else to put his thoughts into writing. There was an inexhaustible mine of diamonds in the rough, but no stone-setter."

Accordingly Brissot made a study of finance and, among other interesting and important activities, coöperated with Clavière in his business operations and writings, some of which were published under the names of Mirabeau and others. Such progress had been made in this relationship that, early in 1788, a trip to America was planned with a view to promoting the investment operations of Clavière and his clientele, especially in American securities and lands.[2]

The move was not without a stimulus from America. It is significant that in the spring of 1787 Hector St. John Crèvecœur returned from Paris, fresh from an intimacy with Brissot and Clavière, to become French consul-general at New York. Further, Brissot was several times in London. Either there or in Paris — perchance on the convenient meeting ground of the Gallo-American Society — he became acquainted with Daniel Parker. Parker was interested, as early as this, in a plan to secure a transfer, to a group of private capitalists, of the American securities held by the French government; and it may be that the friendly meetings of the Gallo-American Society afforded opportunity for discussion of this with Clavière, Thomas Jefferson, and others, who believed the project a good one. The indications are that the sending of Brissot was promoted if not suggested by Parker, whose letter from Havre de Grace, June 2, 1788, introducing him to Craigie, is therefore worth quoting:[1]

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[1] Lescure, *Mémoires de Brissot*, 365, translated.

[2] Cf. also a letter of Brissot to Jefferson, Jan. 3, 1787, inquiring about the American funds, quoted in Ellery, *Brissot de Warville*, 431–433, from *Jefferson Papers*.

> "I have much pleasure in the present opportunity of introducing to your acquaintance Monsr. Brissot de warville, a French Gentleman of the most respectable character & connections, his views in going to america, are principally to obtain a perfect knowledge of the funds & the Lands in the western Territory. the representations that he will make to his friends in Europe will determine them respecting the purchase of the Funds — as he is a literary Man, & his pursuits having been confined to that line, he will pass unsuspected in America, of having any design to buy the Funds. he will communicate with you freely on the subject, & if he should recommend them to his connections. they will make LARGE purchases, all of which he proposes to confine entirely to you & Colo. Duer. he is a Gentleman that merits all confidence, that you will give him all the information in your power. I shall leave it with you to settle with him such terms as you may think proper, my great object has been to prevent a competition in the purchases. I have no doubt but I shall very soon form an arrangement with M. de warville's friends here for a large purchase of those funds in which you will be interesd so that we shall be all united in one general interest — you will find M. de warville to possess true republican sentiments & great knowledge in the affairs of Europe, of France in particular. —
>
> "I must pray you to give him all the attention & assistance in your power & to make [him] acquainted with all your friends in Congress."

The principal purpose of the trip is revealed most fully in a contract between Clavière, Brissot, Pierre Stadinski, a Paris banker, and Theophile Cazenove, an Amsterdammer of Swiss descent who was intimately concerned with Clavière and who in 1790 came to America with letters of introduction from the great Dutch bankers, the Van Staphorsts & Hubbard, to invest Dutch funds in American securities.[2] The draft of this, with emendations in Clavière's hand, translates as follows:[3]

> "M. Brissot de Warville is to set out on the first packet or vessel bound for the United States. Immediately upon his arrival in New York, he is to gather the most accurate and reliable information regarding
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> (1) the present amount of the domestic debt of Congress;
> (2) the current price of this debt;
> (3) those who have the most sales;

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[1] *Craigie Papers*, iii, 111. Cf. Craigie's letter to the Van Staphorsts of June, 1789, quoted *infra*, 188.

[2] See further *infra*, esp. 190, 193.

[3] My translation is made from the copy printed in Perroud, *Brissot Correspondance et Papiers*, 180–181.

(4) the manner in which the interest is paid;

(5) the probability and the time of repayment of the principal; events and actions of the United States which may assure the solidity of this debt, — for example the ratification by the United States of *the new plan of a federal system*[1] [and what is to be feared from the state or states which do not accept the constitution].

(6) the debts of each of the states.

"As soon as he shall have secured this information or learn of any decisions or events which may affect in an essential respect the payment of the American debt and the credit of Congress[2] [or cause speculation in this debt], he shall transmit such information separately to Messrs. Stadinski, Cazenove, and Clavière, in order that they may[3] promptly give their orders to M. Brissot de Warville [concerning the operations upon which they decide].[4]

"Messrs. Stadinski, Cazenove, and Clavière agree to pay Brissot de Warville, to indemnify him for the expenses of his voyage and investigations, the sum of ten thousand livres, to wit:

5,000 payable by M. Stadinski,
2,500 by M. Cazenove,
and 2,500 by M. Clavière.

"They further bind themselves to give him an interest of ...... in all purchases which they make in the American funds.

"[In consideration whereof, M. Brissot de Warville binds himself to give no one any information which might induce them to speculate in the American debt, and, in general, to avoid in his correspondence everything which might directly or indirectly arouse competition with the projects of Messrs S., C., and C.]"[5]

Nor was this the whole of Brissot's responsibilities. He drew up an itemized "Method of observations for my travels in America" and a detailed list of questions to be answered; and Clavière not merely annotated his plan with sundry specific suggestions, but wrote him several letters to guide him in his observations.[6] Among other things Brissot was to learn whether a tract of land might not be found, "and prepared in all circumstances for a republic, in the same manner as you prepare a house for your friends," where a group of Frenchmen might build a Utopia,[1] such as the friends had frequently discussed. Wrote Clavière:

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[1] Clavière crossed out the words underscored, substituted the phrase "of the new federal constitution," and added the phrase in brackets.

[2] Clavière has added the phrase in brackets.

[3] In the original there appears at this point, but crossed out, the words: "direct themselves by it in the speculations which they propose to make in the American funds it is understood and give."

[4] The words "to make purchases" are crossed out, and Clavière has added the words in brackets.

[5] This paragraph is an addition, in the margin, by Clavière. The similarity to a sentence of Parker's letter of introduction will be noted.

[6] *New Travels in the United States of America . . .* by J. P. Brissot de Warville (London, 1794), i, 29–62.

> "If you can acquire from Congress the certainty of being able to realize it, so far as it depends on them, and we have only to find the company here to undertake it; I believe it may be easily done in Europe.
>
> "The company will have lands to sell; their price will augment in proportion as they come in vogue; the company will endeavour to render it an object of general attention, by the preparations made for the reception of the first settlers, in order to avoid the difficulties incident to the beginning of an establishment. I doubt not, therefore, that this project will offer a sufficient prospect of gain, to engage people to adventure in it many millions of livres.
>
> "The better to determine them to it, the interest should be divided into small shares, and proper measures taken to assure the holders of shares of an administration worthy of confidence, to prevent the abuses of trust, and watch over the execution of their resolves, both respecting their interest, and that of the settlers.
>
> "A prospectus, sufficiently detailed, should inform the public of the nature of the enterprise, the principal object of which should be to realize a republic, founded on the lessons of experience and good sense, on the principles of fraternity and equality, which ought to unite mankind.
>
> "The principal means of its execution will be, to have purchased the lands so as to be able to resell them at a price sufficiently low, to encourage their cultivation, and at the same time with sufficient profit to the company. For it is natural to observe, that the difference between the original value of lands in their wild state and their value when an active settlement is begun upon them, will assure to the first purchasers a prodigious profit from their first advances.
>
> "This, however, supposes, as I have already mentioned, that, receiving a small proportion of the purchase-money when the purchase is made, the Congress will consent to receive the principal payments only in proportion as the lands may be resold to individuals; without this condition, the enterprise would require such great advances as to discourage the undertaking.[2]
>
> "Thus, the funds of the company should be composed, 1. of the first payments to be made to Congress; 2. the expences necessary in acquiring a topographical knowledge of the territory, and in making its division; 3. the funds necessary for public works, and the establishment for the reception of those who arrive, to ensure them against want and discouragement.
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> "These three objects will doubtless require a considerable fund; but

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[1] In this connection cf. Henri Carré, "Les Émigrés Français en Amérique — 1789-1793," in *La Revue de Paris*, iii, 312-313 (15 Mai, 1898) and *infra*, 216.

[2] Cf. the experience of the Scioto Company.

the rising value of the lands to be sold, and to be paid for only as fast as they are sold, will greatly indemnify the undertakers. These are the solid arguments to be offered to the lovers of gain. Many other considerations might be detailed in the prospectus, to determine philosophers and friends of humanity to become sharers."[1]

This is the scheme which Brissot was urged to mull over.

"Study it," says Clavière, "and if at the first view it looks romantic, find the means of saving it from that objection; converse upon it with intelligent persons; find such as are sufficiently attached to great objects, to be willing to concur in them with zeal, when they are designed for the aid and consolation of humanity."

But even if such a Utopia should prove "but a dream," the question of lands will still remain an important one. Brissot is urged to acquaint himself with opportunities for settlement by Frenchmen and with measures that should be taken to make the transition to new homes easy. In his last letter Clavière calls attention especially to the possibilities of American lands (and hints at American securities) as investments:

"After having given you my thoughts on general subjects, it is unnecessary to be more particular on those which promise a more certain and palpable advantage to your travels. I mean the purchase of lands or public funds, according as circumstances may invite.

"Three classes of persons may wish to purchase lands in the United States: those who mean to employ others to cultivate them, those who will cultivate for themselves, and those who wish to place their money in them, with the prospect that these lands will increase in value, in proportion to the population.[2]

"Let us leave the two first classes to make their own choice. Your general observations, to be published on your return, will instruct such as wish to remove to America, how to go and choose for themselves.

"The case of the simple speculators is different. Some wish to purchase, to sell again to a profit as soon as possible; others extend their views farther and, calculating the vicissitudes of Europe, find it very prudent to place a dead fund in lands, which, by the effect of neighbouring population, will acquire a great value in the course of years.

"Many heads of families, provident for their descendants, place dead funds in a bank, to accumulate, in favour of their children. A greater number would do the same thing, if there were a satisfactory solution of all questions in the Chapter of Accidents. Now, nothing appears to me better to answer this wise precaution, than to place such money on the cultivated soil of the United States. . . .

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[1] *New Travels*, i, 45–46.

[2] Cf. the paragraph in Hamilton's report, quoted *supra*, 145.

> "The present is the epoch that will decide the Europeans, as to their confidence in the United States. I doubt not but that the States in general will sanction the constitution; and from that time every eye ought to look upon America as being in the road of unfailing prosperity. Then, without doubt, many Europeans will think of purchasing lands there. I know of no period when the spirit of speculation has been so general as at present;[1] no period which presents a revolution like that of independent America; and no foundation so solid as that which they are about to establish. Thus, past events prove nothing against what I presume of the dispositions of men's minds relative to this business.
>
> "I should not be astonished, then, if he who applies himself to the knowledge of lands in this point of view, and gives solutions to all questions of caution and diffidence, should engage the Europeans to very great purchases."[2]

From such instructions one can hardly avoid the inference that Parker had well paved the way for Brissot to fall in with the Scioto enterprise and to work hand in glove with its promoters in establishing strong international financial relationships.

Bound on such a mission, Brissot naturally found a hearty welcome awaiting him. He reached Boston by the *Cato* late in July. Craigie met him there and wrote promptly to Daniel Parker promising to pay him "every attention both for the pleasure of his acquaintance & the Objects pointed out in your Letter. . . . he appears much delighted with America & I hope & expect he will think well of our Funds & our lands." After a few days Craigie went on with him to New York, and continued assiduous in Brissot's behalf.[3] In November Craigie's Alexandria correspondent, Thomas Porter, escorted Brissot to Mount Vernon to meet "the General."[4]

In New York Brissot spent most of the month of August and a good deal of the rest of his stay. He undoubtedly enjoyed Duer's best hospitality and found his objects promoted by Duer's conversation and "great influence" exerted in his behalf. Most of the private letters which he sent to his Parisian intimates are not available, but in the published account of his travels he bears testimony to his debt to the Secretary. Indeed, Duer is almost the only man mentioned in his letter from New York who was not a political celebrity. He writes:[1]

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[1] Cf. *infra*, 365.

[2] *New Travels*, i, 51-53.

[3] Craigie to Parker, July 27, 1788, in *Craigie Papers*, i, 4. Cf. *Mass. Centinel*, July 26, 1788, for note of Brissot's arrival.

[4] Porter to Craigie, Nov. 17, 1788, in *Craigie Papers*, ii, 139.

> "I cannot finish this letter without speaking of another American, whose talents in finance are well known here; it is Colonel Duer, secretary of the board of treasury. It is difficult to unite to a great facility in calculation, more extensive views and a quicker penetration into the most complicated projects. To these qualities he joins goodness of heart; and it is to his obliging character, and his zeal, that I owe much valuable information on the finances of this country, which I shall communicate hereafter."

In the personal investigation of lands Brissot made comparatively little progress. He did not get beyond the Alleghanies and relied on reports of travellers (including M. Saugrain, a Parisian naturalist, who had lately visited the Ohio country) for most of his information.[2] His intentions were not altogether carried out, for his departure for France was hastened by political developments in that country, and he left expecting soon to return, and eventually to settle here with his family.[3] Such as it was, his report in published form was favorable, almost enthusiastic. He must have discussed extensively the Scioto and other land possibilities at least with Duer and Craigie, and carried back with him a mass of their information about that territory as well as about the associates; he was favorably impressed with the Scioto prospects, though he was given no responsibility in connection with the venture; and it is clear that Craigie undertook to treat with him for the sale of a considerable body of lands on the Susquehanna, one hundred and forty miles from Philadelphia and New York, and sent after him a map, deed, and power of attorney for their sale at not less than six livres per acre.[4]

In the matter of the security speculation, however, very definite progress was made. Besides gathering information regarding the amounts of the various public debts, the intentions and abilities to pay them, and so forth, he became, in October, 1788, a party to the following contract with the New Yorkers.[1]

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[1] *New Travels*, i, 139. Cf. abstracts of certain private letters to Clavière from New York, from which the published ones are revised, in Perroud, *Brissot Correspondance et Papiers*, 198–203.

[2] *New Travels*, i, 38, 216–219, 407–416.

[3] Letters of François Dupont, Brissot's brother-in-law, to Craigie, 1789, 1790, in *Craigie Papers*, ii, 4–11.

[4] Letters of Craigie, Jan. 24, June 13, 1789, in *Scioto Papers*. Cf. also, in *ibid.*, Craigie's letter of Oct. 6, 1790: "The land I requested you to sell in France you need not take any concern about as I have made arrangements here & it is not now to be disposed of." These were probably the Genesee lands, of the Gorham and Phelps purchase, in which Craigie was heavily interested.

"Articles of agreement, entered into and fully agreed upon betwixt J. Peter Brissot de Warville for himself and Stephen Clavière of the Kingdom of France and William Duer and Andrew Craigie of the state of New-York, viz.

"1°. The parties mutually agree a covenant with each other to use their best exertions to form a [an?] association, whose object of negotiation shall be as follows,

"To obtain from the Court of France a transfer by [of?] the debt due to that crown from the United States.

"To get such transfer ratified by the united States; and to obtain such a convention form [for?] the payment of the principal and interest due thereon, as shall be judged more [most?] adviseable by the parties interested in the transfer;

"To purchase from time to time as large a proportion of the domestic debt of the United States as they shall be able to procure, and on such terms as shall be agreed on by the Company on [or?] the parties interested in their behalf to manage such speculation.

"To obtain such loans of money as may hereafter be judged necessary by Congress, to enable them to pay the interest of their debt, foreign and domestic, and to discharge the other exigencies [expenses?] of the Union.

"2° For the more efficient management of these operations, it is understood and agreed by the parties that one or more persons resident in France shall be determined on in behalf of the association, whose business it shall be to conduct the operations with the Court of France relative to the said transfer.

"To negotiate all loans which by the United States in Congress may be entrusted to their negotiation or which may be necessary for carrying on the business of the Company.

"To receive like charge of, or negotiate such securities as may be procured on account of the concern.

"And in general to do all things whatsoever relative to the objects of the association, which their residence in Europe will but [best?] enable them to do for promoting the common interest.

"3° That one or more persons resident in America shall in like manner be determined on whose business it shall be. [—?]

"To use their influence and exertion to obtain a ratification of the transfer of the debt due to France from the United States and such a convention for the security and discharge of the same, as shall be judged most for the interest of the concern; and also to promote such further loans as shall be necessary for supporting public credit, and defraying the exigencies [expenses?] of the Government.

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[1] Perroud, *Brissot Correspondance et Papiers*, 208-212. I suggest in brackets certain emendations at points where the French transcription of the English document seems defective.

"To suggest from time to time such speculations [sic] in the domestic debt as shall appear most beneficial; to avail themselves of the most favorable opportunities for the purchase of such stocks [as?] may be agreed on; to remit such part of the same as can be registered to the acting partners of the concern in Europe, and to hold to the order of the said agents in Europe such of the said Securities as cannot be registered.

"To draw bills for the purchase of the said stocks on such terms, and at such periods as shall be agreed on by the acting members of the association in Europe.

"To interest any other persons in such parts of the proportion of the stock . . . [?] hereafter agreed on to be held in America, as shall be judged necessary to facilitate or secure the objects of the association or to secure their services,[1] in any other mood as shall be judged more beneficial;

"And in general to do all other things whatsoever which from the residence of the said agents in America will best promote the general interest;

"4° For the establishment and maintenance of confidence betwixt the different members of the association, it is understood and agreed: that one of the agents in America shall be a party interested in such proposition [proportion?] of the stock, as shall be held in France; and that in like manner one of the agents in Europe shall be a party interested in the proposition [proportion?] wich shall be held in America.

"5° One moiety of all advantages resulting from the negotiations of the Company shall be divided amongst the parties of the association residing in Europe; and the other moiety to the parties of the association residing in America, after deducting the necessary expenses which shall accrue in procuring funds for carrying on the various operations of the concern, with which the parties in America shall be chargeable in proportion of their respective interests;

"6° Of the moiety of the advantages proposed to be held by the associates in America it is agreed and understood:

"That one share shall be held by Stephen Clavière;

"That one share shall be held by J.-B. [P.?] Brissot de Warville;

"That two shares shall be held by W. Duer for himself and heirs.

"That one share shall be held by Andrew Craigie.

"The above shares are understood to be divided into ten equal parts, so that each share would be entitled to one twentieth part of the general [mot illisible] profits, accruing from the negotiations undertaken by the concern.

"7° The other shares in America shall be disposed of in such manner as shall be agreed on by the persons appointed to act as agents in America; and if not found necessary for facilitating or securing the object of the concern, be divided between the different parties of the association in Europe and America, in proportion to their respecting [respective?] interests.

"8° It is nevertheless understood and agreed that M. [M^r?] Daniel Parker in behalf of William Duer and his associates in America, and An-

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[1] This use of the stock, indicated below in No. 7, is worthy of note. It suggests that the same group may have made similar use of Scioto shares in lobbying for the congressional contracts.

drew Craigie shall be at liberty so to modify the respective shares, afterwards, as circumstances may render advisable; provided always that any deductions made from or additions to the same shall bear proportionally on the respective shares, as about [above?] stipulated.
New-York, oct. 1788.

[Signed] Brissot de Warville. —
Brissot de Warville for Stephen
Clavière. — W^M^ Duer. — And^w^ Craigie.

"It is understood and agreed by the parties that M. [M^r^?] Dan^l^ Parker shall be authorised to acceed to this agreement on the same terms that the present subscribting [subscribing?] parties shall on honor be confidential to the subscribting [subscribing?] Parker, and that M. [M^r^?] Daniel Parker and that all the parties shall use their best exertions separately and jointly to give it effect.

[Signed] Brissot de Warville. —
Brissot de Warville for Stephen
Clavière. — And^w^ Craigie. —
W^M^ Duer."

A significant supplement to this contract appears in Craigie's letter to Parker, dated Dec. 3, 1788:[1]

"In the arrangements made with him [Brissot] it was necessary for me to preserve his entire Confidence as well as that of D.— & to prevent any injurious connection between them & M^r^ R. M. [Robert Morris] — Keeping these points constantly in View I made use of all the means in my power consistently therewith to give you a large interest in the advantages of the Association & a leading influence in all the operations and to secure more effectually a governing Agency a power will be given to you by D. & myself to make such alterations in the Agreement as shall be found necessary. — It will give me great pleasure if you approve of what has been done — but should it be otherwise you & myself have only to consider that nothing better could be effected. No person but yourself is to know that D is connected in the Business — Warville will explain fully to you the reasons & it will be best never to mention D. name on any occasion. — You will observe that D has retained two tenths of the moiety which is to be held on this side the water — one for himself & the other for a friend. I know the friend & am sure it was necessary & will be beneficial — but it is probable that friend may be compromised with for a fixed sum in which Case the advantage will be shared among us. . . .[2]

"It is really my Opinion that immense operations may be carried on by the association with Warville & his friends: — & I conceive that you will find more advantages by this connection than any other but it will not prevent or *interfere with* your other operations. . . .[3]

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[1] *Craigie Papers*, i, 28.

[2] It is probable this "friend" was Samuel Osgood of the Board of Treasury, whose ear Duer had effectually gotten in the Scioto negotiations. Cf. the Rufus King memorandum quoted *infra*, 168–169, and *supra*, 134.

[3] Parker refused to be associated with the Scioto business and engaged with

> "Federalism gains ground dayly & you may depend on the establishment of a firm effective Government. . . ."

Craigie further wrote Parker commending Brissot,

> "who will make it his first Business to see you on his arrival to communicate the arrangements that have been made with him — Since my acquaintance with this Gentleman I have had such proofs of his Amiable Disposition & Candor that I feel the most perfect confidence in his character. He has formed the best Connections in this country & is highly respected by our first Characters — and as he has acquired great knowledge of Affairs here you will receive from him much useful information. I hope & believe you will receive full satisfaction from the Explanations Mr De Warville will give & with the power from Col D. & myself you will be able to settle the arrangements to your Mind."[1]

A month earlier Duer had written Parker of progress making with Brissot, forecast his arrival in Europe early in January, and said: "in the mean while nothing ought to be done in the transfer of the foreign Debt; nor any Details entered into on the subject with any one not even Mr J—n [Jefferson?]."[2]

Here, in short, was an infant organization which might develop into an international financial company of great magnitude and broad interests. With the Secretary to the federal Board of Treasury a silent but influential partner, with strong banking connections in New York, Paris, and Amsterdam, and with the skilful pen of a French littérateur versed in the intricacies of finance, it promised to be a formidable combination. One can readily understand why, in view of the intended operations, it was desirable that Duer's connection should be secret and why the entire plan needed to be carefully kept from eyes and ears of other financiers and the public.[3]

Before Brissot departed a first investment was made on behalf of the new, half-formed concern. Securities to the amount of $109,350 in continental certificates were purchased and entered in Brissot's name on the Treasury books. These were to be sold in

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Gouverneur Morris in his efforts to obtain the transfer of the French debt: Barrett to Craigie, Oct. 7, 1790, in *Craigie Papers*, iii, 3, and *infra*, 164, 170, 247 n.

[1] Letter also dated Dec. 3, 1788, in *Craigie Papers*, i, 27.

[2] Nov. 5, 1788, in *ibid.*, ii, 52.

[3] Craigie's extreme caution appears in his letters to Brissot's brother-in-law Dupont early in 1789: *ibid.*, i, 25, 33. In the second of these Craigie mentions the objects of the association.

Europe at not less than sixty per cent of par. Duer, Craigie, and Brissot were to be equally interested in the sale, and Duer and Craigie were to pay six per cent on half of the moneys advanced for the purchase. The price was probably about 4s. 6d. In payment Brissot drew on Clavière in Craigie's favor for £2852 16s. 3d. sterling. Payment on this draft, and possibly on another like it, making a total of £3000, was held up by Clavière until the securities should be transferred into his name. The protest caused a great deal of trouble, and the securities were eventually sold in America by Craigie; but the matter was finally arranged and the account closed in the spring of 1790 with a slight margin of profit.[1]

Brissot slipped out of New York, December 3, so quietly that, as Craigie wrote him gleefully on January 24, it was a month or five weeks before his absence was suspected.[2] He went somewhat earlier than he had intended, because the date for the meeting of the States-General had been set for January instead of May, and he wished to be at home for that occasion.[3] The news which greeted him on his landing was reassuring. From Falmouth he wrote Duer on January 19 that the news of the revolution in France, the insanity of George III, and the death of the Spanish king would all pave the way to the prosperity of Americans.[4] He continued:

> "Considering the effect of this revolution respecting americans, I am inclined to believe that you'll be more favourably treated by the future ministry, who shall be Consisting of men whose liberality of ideas, & affection towards americans are unquestionable —
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> "What I have picked up here respecting france, is that the king has fixed the way of Convocating & of organizing the states general — they

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[1] The protested draft is in *Craigie Papers*, ii, 198. The terms appear in Craigie's account with Duer, in his *Waste Book A* and *Ledger A*, 33–34. The close of the business is described in Craigie's letter to Brissot, May 24, 1790, in *Craigie Papers*, i, 59. See also several letters of Brissot, Jan. 30, 1789, in Perroud, *Brissot Correspondance et Papiers*, 213–216; also Craigie to Parker, Dec. 3, 1788, Gore to Craigie, Dec. 29, 1788, Craigie to Brissot, April 28, 1789, Gore to Craigie, May 5, 1789, in *Craigie Papers*, i, 28, ii, 80, i, 40, ii, 89, 53; and Craigie to Brissot, May 16, June 13, 1789, in *Scioto Papers*.

[2] Perroud, *Brissot Correspondance et Papiers*, 213; *Craigie Papers*, i, 25, 29.

[3] Cf., in *Mass. Centinel*, Aug. 5, 1789, his speech of April 21 at an election for the district of St. Thomas in Paris.

[4] *Scioto Papers*.

must be very numerous — So much the better — the french Comptroller seems in distress — So much better too — We shall have a better composition for the debt.

"adieu my good friend rely upon it I shall play the devil to dispatch all our business as fast as possible & to send you Intelligence —"

At Dover he met Daniel Parker, and with him travelled to Paris, whence Brissot wrote Duer January 31:[1]

> "I availed myself from the length of the way & the leisure we had, to sound his disposition, respecting our speculations & projects. I communicated to him the *general* plan of association. his lecture semed not to me operate forcibly on his mind [?] he told me he saw many difficulties in forming such an association in dividing the shares; moreover he had entered into many engagements, he ought to fulfill. however he promised me to make an attempt. I reminded him that you had furnish'd him with information, that you had assisted him & of course you were entitled to some benefit — he answered me it was his intent to give you a share in the profits either of his own bargain, or of the general association, were it carryed into execution —"

In Paris also he met one of the Van Staphorsts, of the Dutch firm that had helped float the 5,000,000 guilder loan in 1782.[2] This financier too was not averse to the idea of an association. Brissot continued:

> "as to my friend Clavière, he is always satisfied with the solidity of the speculation, & he'll come into. however there are many modifications to make in the plan — rely upon the equity of Mr Clavière & on my zeal for your concern & this of Dr Craige —"

While Brissot was in America the plans of the European friends had even increased in magnitude. François Dupont, Brissot's brother-in-law, who arrived in February, 1789, to settle in America, wrote Craigie soon after he landed: "Mr Warville at his arrival in france will find that new arrangements have been made between the European friends to favor that business and give it more extent."[3] And Craigie had heard similarly from Europe himself.[4] What these enlargements were cannot be ascertained: it would seem that the plan agreed upon in America might have been large enough to satisfy any one; it was probably so much larger than the original scheme that the European contingent were satisfied with its scope if not with its details.

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[1] *Scioto Papers.*

[2] Cf. Friedrich Edler, "The Dutch Republic and the American Revolution," in *Johns Hopkins Univ. Studies in Hist. and Pol. Sci.* (Baltimore, 1911), xxix, 215, and Wharton, *Dipl. Corresp. of the Amer. Rev.*, v, 482, 728–729.

[3] *Craigie Papers*, ii, 4.

[4] Craigie to Dupont, Feb. 26, 1789: *ibid.*, ii, 33.

Brissot continued his efforts in the midst of the great political disturbances that were taking place. Late in April he wrote Duer that when things were more settled the "moneyed people" might be interested "in a speculation upon your funds & Lands. But now it is quite impracticable — We must then have patience for putting into execution the schemes we have planned." [1] By this time, however, Brissot had completely lost confidence in Parker. He reported to Duer:

> "What is certain is this, that he looks for monopolising the Sale of American funds in Europe, & he looks very cool about sharing the profits with his friends in america. he has played so many tricks here, that he has created universal diffidence about the american funds."

Duer neglected to keep in close touch with Brissot,—his slackness in correspondence was ever one of his besetting sins as a business man.[2] Craigie, writing partly in connection with lands in the sale of which he was interested, and partly, no doubt, on Duer's behalf, kept up a desultory correspondence with him at least through 1790.[3] Brissot himself wrote faithfully for a short time, and occasionally thereafter, though complaining of his friend's neglect. He was soon, however, in the thick of the political activities of the day. He did succeed, in the spring of 1791, in getting his *New Travels* into print, and in them had good words to say both for Duer and for the Scioto project.[4] But the situation in France grew worse rather than better, turning out quite contrary to the plans of the associates, and eventually, in October, 1793, costing Brissot his head.[5] The upshot was that the fine scheme for the international association never ripened.

Something more must be said, however, of that part of the international enterprise which concerned the transfer of the French debt. Such a project had been mooted for some time. Two favoring conditions were the financial difficulties of the French government and the failure of the American Treasury to pay the interest. In 1786, therefore, "a company of Hollanders" made an offer to purchase the securities, and Jefferson, who was in France, made the somewhat astonishing comment, in a letter to Jay of Sept. 26, 1786:[1]

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[1] April 28, 1789, in *Scioto Papers*.

[2] See esp. Flint to Craigie, June 22, 1788, Craigie to Barlow, April 10, 1790, in *Craigie Papers*, ii, 22, i, 55; and *infra*, 221f, 236, 323.

[3] *Craigie Papers*, i, 29, 86: Jan. 24, 1789, September, 1790.

[4] See *supra*, 158, and *infra*, 246.

[5] On Brissot's later activities see esp. Eloise Ellery, *Brissot de Warville*, and F. J. Turner, in *Amer. Hist. Rev.*, iii, 654–656 (1898).

> "If there be a danger that our payments may not be punctual, it might be better that the discontents which would then arise should be transferred from a court, of whose good will we have so much need, to the breasts of a private company."

The Board of Treasury, however, reported the proposed transfer to be both unjust and impolitic, as might have been expected with Duer not in on the deal. What the French government thought of it does not appear.

Duer was probably not connected with this early attempt, but it was not long before he engaged with Daniel Parker in a similar endeavor. It is possible that this matter was among those which Andrew Craigie arranged with Parker in the summer and fall of 1787, though the fact is not clearly shown by the *Craigie Papers*. It is further possible that in a sense this scheme was linked with that of the Scioto land enterprise, through the prospect that the French debt could be turned over to pay for the lands or that it would aid the negotiators in securing loans needed for that purpose. Barlow, however, seems to have had no powers or instructions relative to this matter. Early in 1788 the project was evidently a subject of conversation between Parker and Clavière and Brissot, who may have independently originated a plan of the same sort; and Brissot came to America with the scheme much on his mind. Parker did not wait for his return to continue negotiations, as Brissot found on his return, and evidently disregarded Duer's advice, sent Nov. 5, 1788, to do nothing respecting it till Brissot should arrive.[2]

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[1] Jefferson, *Works*, ii, 28–29. Cf. *ibid.*, ii, 53, 79, 111, 120, 154, 161–181, 209; Hamilton's *Works* (Lodge ed.), vi, 343–344, 362–363, 370–373, 374; Van Staphorst's comment in letter to Craigie, Sept. 19, 1789, in *Craigie Papers*, ii, 204.

[2] *Craigie Papers*, ii, 52.

About this time another group of capitalists became interested in the same object. On October 29 Craigie wrote fully to Parker:[1]

> "Mr Robert M[orris] is appointed a federal Senator. . . . It has been lately discovered that he is turning his attention to the domestic & foreign Debt & is forming connections with a view of Speculating very extensively in them. G.[ouverneur] Morris is to embark very soon for Europe & is to go with the best recommendations from this country. Overtures have been made to D[uer] to unite with the company which is thus forming. He declined accedeing being completely pledged to me not to engage with any other persons than Warville & *ourselves* unless it should be thought necessary to form a Union with Morris & his party in order to insure success to great & extensive Operations which will admit from the advantages they promise a larger Number to be interested. Warville D– & myself had a meeting this day to deliberate on the Measures it might be expedient under present circumstances to adopt. D. related to us what had passed between him & M–s by which it appears probable that J–ff–n may have written to *M–d–n* of Virginia & communicated some plan respecting a transfer of the *foreign* Debt by a fair negotiation of which great advantages may be made: & that M–d–n & M–s may be associated with Gou–r M–s & one or two others for the purpose of *the Speculation.* M–s told D– that if he would be concerned he & his friends should be admitted on equal Terms & that this field was amply sufficient for a good Number. D. told him that at present he was under such ties that he could not unite with the company M– was engaged with but that he had particular Objects in View in which he was disposed & might have it in his power to interest him [Morris?] individually — M pledged himself to D that he would at any time unite with him — after much conversation they parted M. pressing on D the advantages of a Union between them & their friends which he hoped D. would consider of. — I did not know at first but what it was possible that D might wish to have a Union — but I have had reason to be satisfied that he had rather avoid it if it can be done consistent with security to ourselves & success to the Operations. We are to meet again this Evening to consult on the subject."

Further significant facts regarding this whole situation are given in a letter of Craigie to Daniel Parker, November 19,[2] and a memorandum by Rufus King, dated December 21.[3] Craigie writes:

> "Gouverneur Morris goes to France in a few Days, say 10 or 12, — I have much to say to you respecting him & his views but it is not always very

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[1] *Craigie Papers*, i, 22. Cf. also, Craigie to Parker, Feb. 4, 1790, in *ibid.*, i, 42, 47; Maclay's *Journal*, Jan. 15, 1790, 178.

[2] *Craigie Papers*, i, 24.

[3] King, *Rufus King*, i, 623–624.

agreeable to make free communication in writing — a Letter may miscarry & many accidents may happen. In my last I intimated some things respecting him which your prudence & policy will keep sacredly to yourself. By the next Opportunity I will venture a further acc^{t} of him.

". . . I make no doubt but Col [W. S.] Smith will go in some character to Holland. *Our friends wish it* — This will be a great point gained & is one reason why you should be on your guard against G. Morris who may hold out an Idea that *he will have the appointment* — but I am satisfied he will not. It will be proper however to be on terms with him but depend on it that your interest requires that you keep clear of connection till you find out his views & his ability to serve or disserve. This you cannot immediately know — by Warville I will write you fully & he will converse with you on the Subject."

King's memorandum runs thus:

"Some days since Col. Duer mentioned to me that his situation required that he shd. pay some attention to his pecuniary Concerns [!], and to the establishment of some permanent provision for the Decline of Life and the Support of his Family. He remarked that Mons. de Warville who lately returned to France came to this country with a view of looking into its Debt & Resources, to be able to give good information to such European capitalists as may be disposed to speculate in the American funds. That Mons. de Warville, who was a Geneva Banker,[1] had devised a plan of purchasing the Debt due from the United States to France, that Capitalists of France would embark in the Purchase, that they proposed the association of Americans to the amount of a moiety of the Purchase, that he had been consulted on the Subject and the plan had been submitted to him, and proposed to me a concern in the project — my answer was ambiguous and indefinite.

"Yesterday Col. Duer renewed the conversation and told me that he had conferred with Wadsworth,[2] Genl. Knox & Mr. Osgood on the Subject — that he had informed them that Rob. & Gov. Morris had in view something of the same nature with Clavière's plan; that they had proposed to unite with him (Duer) and that Gov. Morris was going to Europe, with this among other views. That he had in some sort assented to the Morris proposals, and given letters to Govr. to the associates of Claviére having previously shewn them to Warville. That the design of Govr. was that Duer, R. Mor. & Govr. Morris shd. be the principal Americans, that Constable & Duer's friend (Osgood) shd. be admitted and such other shares as shd. become absolutely indispensible shd. be taken into the Association and that beyond these shares or *Portions* (which Govr. seems to have in view to limit) the surplus gains shall be equally divided between Duer R. M. & Gouvr. Morris — That the operation or effect of the Letters given to Gouvr. Mor. wd. go no farther than to admit him and R. M. as individual associates, on a common footing. — That the intention of Claviére & Warville was to make a conditional Convention for the Transfer of the Debt due to France, the convention to become valid when ratified by Congress. But shd. this fail, the Idea of the Morrises and of Claviére and others, is that the measure might be accomplished by the Influence of the American Minister in Holland — R. Morris & a few friends of Govr. Morris would push his appointment — Duer conceived that Mrs. Knox had been assailed on the subject, that Knox might be influenced in its favor, &c, & said that he had therefore in company with Wadsworth freely conversed with Genl. Knox concerning the whole project — that Knox & Wadsworth had requested him to apply to me and to know whether I wd. accept the public appointment to Holland — that he had fully conversed with Osgood on the subject, and that Knox, W. & Osgood concurred in the entire propriety of my appointment. I told Colonel Duer that I was not indisposed to a foreign appointment — that the honor & duties of such an Office wd. be my Sovreign rule of Cond. & if in perfect consistence with the Duties & Dignity of the Office, I cd. promote the interest of my Friends, it wd. be a great satisfaction to me. But that I desired not to be considered as giving an answer any way at present, that although Knox might prefer me to Govr. Morris, yet the opinions of Mr. Jay & Col. Hamilton were of consequence in my mind. That previous to any decision on my part I must be ascertained of their opinions.

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[1] Presumably an error was made here in copying the manuscript, for Clavière was the Geneva banker, and the plan is mentioned below as his.

[2] The Hartford capitalist, Jeremiah Wadsworth.

"Duer observed that there were some reasons why I should make an early Determination such as the undecided State of Genl. Knox's mind and the probability of a direct application for his Influence from R. Morris."

It is important to notice that Duer's "friend" who was to be taken into the association was Samuel Osgood of the Board of Treasury, which would be consulted by Congress in connection with the ratification of any such transfer. It is also apparent that the capitalists of both groups wished to make use of the prestige and influence of the foreign official representatives of the United States to promote their private designs; that Gouverneur Morris and, though somewhat cautiously, Rufus King were not unwilling to listen to such siren songs; and that capitalistic influences were definitely brought to bear on the appointments to these foreign posts.

It is not clear what arrangements were finally made. King did not go abroad at this time, perchance because his reception of the proposal was so lukewarm. Gouverneur Morris did go, leaving Philadelphia late in December and arriving at Havre Jan. 27, 1789; but he went only as a private individual. But before his departure, as Duer told King, some understanding was reached between the Duer group and the Morris contingent, in spite of Craigie's assurances to Daniel Parker two months earlier.[1]

Before Morris reached Europe Brissot had consulted Parker, and on January 31 he wrote Duer:[2]

> "respecting the transfer of the foreign debt, Mr Parker confessed to me, that some while ago he, jointly with Mr Laurent Le Conteu [presumably the Rouen banker, Le Coulteux de Cantaleu] had given a place to Mr Meeker to get a transfer & he hoped to succeed. he did not give me any details about it. I told him that there was another plan for redeeming that debt, formed by Mr Clavière, approved by you, from which immense advantages might be derived to the society which should carry it into execution that we were determined to apply to the french Court, but that we might suspend our application, on the condition that, if, Mr Parker obtained the transfer from the ministry he should enter into a general association with us, & on equal footing but that he bind himself by writing — he agreed, but as the consent of Mr Le Conteu is required, [?] were to settle with him that point. the minister, probably, on account of his various & pressing affairs has not yet given any answer. However the circumstance seems favorable to get the transfer. According to Parker, there would be no difficulty in getting a loan in Holland, if Congress should be willing to appropriate part of the import duty to the payment of interest."

Morris went to Europe, therefore, evidently with instructions to coöperate with the Parker-Coulteux and the Warville-Clavière interests in pushing this business.

After giving some attention to matters concerning flour and tobacco contracts, in which he was acting partly for William Constable and Robert Morris, Gouverneur Morris had time to devote to the securities problem. March 18 he had a conversation with Jefferson's secretary in the American legation, William Short, in which

> "speculations in American bonds and the purchase of the debt of the United States to France were discussed at length, and Morris expressed himself as willing to take an interest for himself and his friends, in speculations of this kind 'which are well founded — provided always there be nothing in them prejudicial to the United States or inconsistent with personal honor or integrity.'"

About the same time he had long conversations with Parker and with Le Coulteux de Cantaleu on the French debt purchase. In

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[1] *Supra*, 167–168. Morris was appointed minister to France in January, 1792. Monroe, speaking in the Senate against confirming the appointment, said: "He went to Europe to sell Lands and Certificates": King, *Rufus King*, i, 421.

[2] *Scioto Papers*.

September he went to London and, receiving from Parker intelligence which deeply affected the plan for the project, he set off immediately for France. There on October 10 he interviewed the Minister of Finance on the subject. In his diary Morris wrote: "I tell him the whole truth with respect to it, and assure him that I will not engage in a purchase without such a view to profit as will save me from all risk, and that he must make a sacrifice." Necker made a proposal, and throughout October and November bargaining interviews took place at frequent intervals.[1] On October 27 Morris and Cantaleu, invited to discuss the matter with Necker, informed him that the terms he suggested (at least 24,000,000 francs) were so different from what they had expected that they must consult persons in London and Amsterdam (Parker and the Van Staphorsts?) and, moreover, as Morris writes,

> "that it is necessary to keep the transaction secret, because, whether we bargain or not, if my name be mentioned, it will destroy the utility of my friends in America, who have been and will continue to be firm advocates for doing justice to everybody; and further, that if it be known in America that France is willing to abate, it will be a motive with many to ask abatements on the part of the United States."

Necker then proposed 10,000,000 francs per annum for three years, but Morris refused to consider it. Necker suggested that it could be discounted in Holland at twenty per cent, but Morris, on the basis of his correspondence, doubted this. Morris then offered 300,000 francs a month, beginning the ensuing January, till 24,000,000 should be paid. But no deal could be closed.[1]

On December 5 Morris submitted a new plan to Necker, after discussing it with Short, Lafayette, and de Montmorin, who gave it hearty approval.[2] This proposal, especially interesting in the light of the political horizons in the two countries, was to settle for the American debt, principal and interest due Jan. 1, 1790, "rentes perpétuelles de la France montantes a la même somme," payable during 1790 and 1791, half of the "rentes" to be redeemable by the capitalists in silver at the market price, if the French situation should require it. The capitalists planned to make application to the American Treasury to exchange for the debt five per cent bonds "for current guilders," made payable in instalments commencing in 1795. This was deemed "honorable to France, to America, and to the parties." It would give the French government cash resources. It would give the United States accommodation without charge and trouble of negotiation. The advantages to the "society of friends to America" who were making the offer, Morris reported thus:

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[1] Morris, *Diary and Letters of Gouverneur Morris*, i, 18–20, 40, 181, 188, 191, 198, 205–207, 236–237.

[2] This is described, along with the course of negotiations, in a letter from Morris to Hamilton, Jan. 31, 1790, in Hamilton, *Works*, v, 448–453. From the letter it would appear that this was the first and only plan Morris presented. The letter is ostensibly full and frank, yet it does not altogether fit with the memoranda in Morris's diary.

> "First, . . . they became eminently useful to the societies of which they are respectively members [?]; secondly, . . . the advantage, if any, which they were to derive, would result merely from a careful and industrious attention to the variations of the exchange and fluctuations in the effects [securities], and from the use of their funds and credit to make investments at the proper times and seasons, which, as far as the sum of forty millions of livres and upwards can go, must necessarily have sustained the value of stocks here [Paris]."

Le Coulteux was much pleased with this and offered to negotiate it if the aid of the Dutch capitalists could be got, and this was confidently counted upon, as well as the support of the commissioners of the United States in Holland. But these gentlemen, possibly working with Parker, were interested in a rival offer, which turned out to be "to purchase the 6,000,000 at a discount of about eleven per cent." Morris, after several interviews in December with members of this group, notably leading partners of the Van Staphorsts & Hubbard firm, reached an amicable agreement. The Dutch offer, given right of way, was refused by Necker on Jan. 2, 1790, and Hubbard returned to Amsterdam "apparently desirous of bringing all his friends" into Morris's plan. On January 31, however, Morris was notified of its rejection, on grounds he considered specious, and learned that instead the Van Staphorsts had negotiated a loan of £3,000,000 direct with the new government. Morris attributed the failure of the plan to the selfish interests of the Dutch bankers, whose extensive speculations in American securities were facilitated by the moves they had made.[1] With this the defeat of the schemes was recognized.[2]

The Duer-Craigie-Parker-Brissot-Clavière undertaking is probably best interpreted as an effort to establish an international banking house, modelled upon those of the great Amsterdam firms, which should supplant them in the negotiation of American loans and rival them in commercial negotiations and in speculations in lands and securities. With their larger capital, their established prestige, their well-knit organization, the Dutch proved more than a match for the newcomers — scattered in distance, busy with various other interests, loosely organized, distrusting one another — and the new enterprise "died aborning."

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[1] Morris, *Gouverneur Morris*, i, 290. Cf. *infra*, 185, 193. Cf. also Hamilton's letter of Oct. 6, 1789, to Lafayette, who was close to Necker, promising that "The debt due to France will be among the first objects of my attention": Hamilton, *Works*, v, 440–442.

[2] Curiously enough, this was not the last of these attempts. For a proposal in May, 1792, coming from Christopher Gore, see King, *Rufus King*, i, 423–424.

CHAPTER IV

THE RISE OF STOCK SPECULATION, 1784–91

AFTER Barlow, Brissot, and Gouverneur Morris in succession had departed for Europe and entered upon the discharge of their responsibilities, the new federal government was gradually organized. On April 6, 1789, the new Congress met in New York, and on April 30 Washington was inaugurated. On Sept. 2, 1789, an act was approved which provided for the organization of the Treasury Department.[1] Hamilton was forthwith appointed Secretary, and Duer became Assistant Secretary by appointment of his friend, the chief.[2]

These appointments had been the subject of much speculation, as appears from Craigie's letters; and the final outcome had been foreseen.[3] As early as May 23 he had written Daniel Parker: "It is understood that M^r^ Hamilton will be at the Head [of the Treasury] & M^r^ Osgood Comptrouler. D. probably will be secretary to Hamilton." June 13 he wrote Brissot more positively:

> "The success of the New Government is such as to exceed the Expectations of the most sanguine. The great Departments are now the subject of Discussion. There is no Doubt but M^r^ Hamilton will be at the head of the Treasury & M^r^ Duer will be his assistant."

Shortly after this a change of slate was talked of. A draft of a letter to the Van Staphorsts, dated June 27, is worth quoting with pencilled alterations showing in the manuscript:

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[1] *U. S. Stats. at Large*, i, 65–67.

[2] The appointments were made before the middle of September: *Mass. Centinel*, Sept. 19, 23, 1790.

[3] *Craigie Papers*, i, 35–37, 39, 40. See also Fox to Craigie, August 8, and Craigie to Parker, August 10, in *ibid.*, ii, 208, i, 41.

> "~~You may naturally suppose in the commencement of our Government~~
> It is the
> ~~that there will be great Struggles for places under it. — & great Exertions~~
> general opinion that ~~to make~~
> ~~will be made to put~~ M^{r} Hamilton at the head of the Treasury & M^{r} Duer his assistant. The public Mind has for some time contemplated the above
> the former is not
> Characters for these appointments — but in my Opinion the president has
> absolutely on &
> ~~not absolutely~~ determined, ~~in favor of the former — I consider~~ it is very doubtful. & as to the latter I am of Opinion his appointment will not be within the Department of the Treasury but in some other Department. . . ."

On July 11 Craigie wrote Parker in the same strain, but added: "Altho' Duer will not be in that Department he will no doubt be well provided for & have great Influence which will be of importance, if secured, to your views." Again to Brissot July 28:

> "Col^{o} Duer . . . is not determined whether he will take an appointment under the new Government — he sometimes appears to think that he can do better without one — It will very much depend on himself as he certainly can have a very respectable office in some of the Departments — at present it is uncertain how that of the Treasury will be filled — "

Various forces favored Duer's appointment. He had a responsible post under the retiring government and bore a reputation for efficiency in the discharge of its duties. His experience therein recommended him for service in some similar capacity under the new régime. He was recognized as possessing a very good business head. In these respects he was adjudged the superior of the regular members of the Treasury Board. He had a wide political, social, and business acquaintance and knew the art of enlarging all three. He represented the general viewpoint of the capitalist class, now powerful though not highly conspicuous. He had, moreover, the esteem of Washington, doubtless not the less because of his attitude on the Conway Cabal. Hamilton he had known at least since 1777,[1] and after Duer took up his residence in New York they became close friends. Their wives were cousins. They agreed in general on questions of politics and public policy, such as the need for a strong central government and the funding of the public debt. There is no evidence that Hamilton was concerned in any of Duer's business enterprises;[1] he was busy with the law and politics and had no fortune to risk in speculations. Like Washington, Madison, Monroe, Jefferson, and others, he did undertake a speculative investment in lands, which were almost the only outlet for savings except in trade; but in this particular enterprise Duer seems to have had no share. On the other hand it seems highly probable that Hamilton knew of some of Duer's business deals and was aware, at the time of the appointment, of his responsibility in the Scioto Company and his extensive interest in public securities. He must also have been aware, it would seem, of certain deficiencies in Duer as a public officer. It is fair to assume that Duer accepted the post with the understanding that he need not drop his private affairs, and it is not unlikely that he took the job with the expectation that it would rather promote than injure his private interests. In the light of these facts Hamilton is not above criticism for making the appointment, however politic it may have been.

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[1] The first letter between them published in Hamilton's *Works* is dated May 6, 1777 (Lodge ed., ix, 63), but it does not indicate that this was their first acquaintance.

Duer remained in the new office less than seven months, resigning late in March or early in April, 1790.[2] A potent reason, apparently, was the removal of the seat of government to Philadelphia and Duer's unwillingness to leave New York. Doubtless the growth of his business interests, particularly in connection with the Scioto Company and security dealings, made clear to him the unwisdom of further division of his time with official duties. Probably also he and Hamilton became conscious of at least the *political* inadvisability of his combining the office with his business interests, in view of the outspoken criticism of "speculators" and complaints of the connection of the Treasury Department with speculation — of which more is to be said. Certainly speculation in securities was not *legally* consistent with service in the Treasury Department, for the act establishing the department forbade any person appointed to an office instituted thereby, under penalty of $3000 and permanent disability to hold office under the United States, "purchase by himself, or another in trust for him, any public lands or other public property," or being "concerned in the purchase or disposal of any public securities of any State, or of the United States."[1]

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[1] Craigie endeavored to have Hamilton appointed, in 1788–89, on a board of trustees to settle the accounts between Daniel Parker & Co. and their creditors. See *infra*, 257.

[2] The exact date is not certain, but Timothy Pickering heard of it in Philadelphia April 5, and as he wanted the vacant office his ears probably caught the news promptly: Pickering and Upham, *Timothy Pickering*, ii, 440–445.

There is conflict of opinion as to Duer's importance in the Treasury Department. John Adams wrote in January, 1791, probably with reference to Duer, regretting that New York had taken one of Hamilton's chief supports. Years later, after his relations with Hamilton had become embittered, Adams wrote that Duer and Wolcott had done the real business of the department.[2] Unquestionably this view is exaggerated. Nevertheless Duer's assistance was doubtless availed of in drafting the first report on public credit, which the venomous Maclay declared "a committee of speculators in certificates could not have formed . . . more for their advantage."[3] Doubtless, also, Duer's tenure eased the transition from the old régime to the new in a department where continuity was highly important, though little progress seems to have been made in reducing chaos to order while he was in office. Hamilton's letter in accepting Duer's resignation expresses satisfaction with Duer's performance, yet it is not altogether unequivocal. He writes:[4]

> "While I truly regret, my dear friend, that the necessity of your situation compels you to relinquish a station in which public and personal considerations combine to induce me to wish your continuance, I cannot but be sensible of the force of the motives by which you are determined. And I interest myself in your happiness too sincerely not to acquiesce in whatever may redound to your advantage. I confess, too, that *upon reflection* I cannot help thinking you have decided rightly.
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> "I count with confidence on your future friendship, as you may on mine. . . .
>
> Your affectionate
> A. HAMILTON."

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[1] *U. S. Stats. at Large* (Sept. 2, 1789), i, 67.

[2] Adams, *Works*, ix, 277, 573.

[3] *Journal*, Jan. 14, 1790, 177.

[4] Adams, *Works* (Lodge ed.), vii, 212. The letter in manuscript is undated, but it probably belongs to an early day in April, 1790.

This was the end of Duer's public life. But throughout this period as well as afterward he was first and foremost a business man. And the business which seems to have engaged most of his attention, during this period and afterward, was the purchase and sale of securities. This was a comparatively new form of business activity, and of its emergence something needs to be said if one is to appreciate Duer's share in it.

Before the Revolution America had been free from stock-jobbing, which had risen to such unsavory prominence in England between 1690 and 1720.[1] Business corporations were wellnigh absent, primarily for economic reasons. Joint stock undertakings without corporate privileges were under the ban of the law and without popular favor.[2] Public securities were not, as a rule, income bearing and were subject to alterations of value in a way that promoted local speculation, but hindered that of a wider sort. Difficulties of communication prevented the formation of speculative markets. Thus speculation was largely confined to lands and trade,[3] in both of which the risks and chances were so large as to satisfy well the gambling instinct of the well-to-do, while smaller savers were given opportunities to win and lose in innumerable lotteries.

After the Revolution, however, certain of these conditions were altered. Business corporations soon were floated. Unincorporated joint stock companies with transferable shares, like the Ohio Company, came into being with impunity. A large body of state and continental certificates of indebtedness, much of it interest bearing, remained as a heritage of the war; and there was already talk and hope of its redemption or refunding at face value, while there remained for some years tantalizing uncertainty both as to the fact and as to the time and manner.[4] Improvements in physical means of communication were indeed made but slowly, but the war had broken down psychological barriers and established relationships among men of affairs. Although political unity was far from an accomplished fact, the compulsory coöperation during the war had gone far toward furnishing a basis for that desideratum, and the conditions following hard upon peace emphasized its necessity. Much more than before the war, men of business ability and propensities tended to congregate in the large centres, Boston, Philadelphia, and, above all, New York. Furthermore, a disparity of wealth, partly the result of the war, brought side by side poor or improvident possessors of certificates and well-to-do citizens who not only could afford to wait for the certificates to appreciate, but had surplus funds for investment. Such conditions made dealings in securities feasible and attractive, to an extent which would have been unthinkable in colonial days.

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[1] See W. R. Scott, *Joint Stock Companies to 1720*, vol. i, esp. chap. 21.

[2] See Essay I, 25–27, 91–99.

[3] Cf. A. Mackraby to Philip Francis from Bristol, Pa., Jan. 20, 1768: "It is almost a proverb in this neighborhood that Every great fortune made here within 50 years has been by land": *Pa. Mag. of Hist. and Biog.*, xi, 277 (1887).

[4] See, for example, the discussion in the *Mass. Centinel*, Feb. 8, 11, 15, 22, March 1, 1786, May 9, 19, 1787.

Indeed before the war was over there had been considerable purchasing of certificates by well-to-do speculators. This had aroused condemnation. It had also increased the solidarity and class consciousness of the public creditors, who as early as 1782 petitioned Congress "that both policy and justice require a solid provision for funding the public debts." Reporting favorably upon their memorial July 29, 1782, the Superintendent of Finance (Robert Morris) referred to the actions and criticism of speculators.[1] To the objection that funding "would enable speculators to perform their operations," he answers first (with doubtful accuracy) "that any other mode would be more favorable to them." He conceived further

> "that it is much beneath the dignity of Government to intermeddle in such considerations; . . . that speculators always do least mischief where they are left most at liberty; . . . that it is not in human prudence to counteract their operations by laws, whereas when left alone they invariably counteract each other; and fourthly that even if it were possible to prevent speculation, it is precisely the thing which ought not to be prevented, because he who wants money to commence, pursue or extend his business is more benefited by selling stock of any kind (even at considerable discount) than he could be by the rise of it at a future period. Every man being able to judge better of business and situation than the Government can for him. . . ."

Answering the zealots who claim "that those who have bought the public Debts for small sums, ought only to be paid their purchase money," because "they have taken advantage of the distressed creditors, and shewn a diffidence in the public faith," he answers that

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[1] *Journals of Cont. Cong.*, xxii, 429-446, esp. 435, 444.

> "in giving the creditor money for his Debt, they have at least afforded him some relief, which he could not obtain elsewhere and if they are deprived of the expected benefit, they will never afford such relief again; . . . those who buy up the public Debts shew at least as much confidence in the public faith, as those who sell them. . . ."

This, of course, was the comment of a large capitalist who later, if not at this time, engaged heavily in security speculation.

This speculation increased after the coming of peace. Throughout 1784 Andrew Craigie, late apothecary-general of the Revolutionary army and now merchant importer of New York dealing chiefly in tea and drugs, was writing to his brother-in-law abroad inquiring prices and changes in prices of securities in London and Amsterdam, and was hearing from agents or would-be agents who were scouring the country for good bargains.[1] "A Real Soldier," discussing the justice of discriminating between the original holders and the then holders of public securities, in the *Massachusetts Centinel* of March 20, 1790, painted this picture:

> "Every one knows the situation of the army at the time it was disbanded. — they were without money — they were without friends — and not one to five hundred had parents or connections they could return to that would support them, while they could put themselves in some kind of employment. What, then, must be the alternative? They must dispose of their ideal pay, or they must go hungry. What was the encouragement when they offered their paper for sale? That government would never be able to pay it, and that it was not worth more than 2s. for 20s. — This was the language of all the purchasers."

Pelatiah Webster wrote in January, 1785:[2]

> "It is a matter of public notoriety and general belief, that almost the *whole* of the *widows*, *orphans*, *soldiers*, and other *distressed public creditors*,

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[1] Craigie to Bossenger Foster, Feb. 20, Aug. 10, Sept. 23, 1784, and William Hull to Craigie, Aug. 29, 1784, in *Craigie Papers*, i, 3, 5, 6, ii, 47.

[2] *Essays*, 277; first published in Philadelphia, Jan. 10, 1785, in an attack on a funding bill proposed in Pennsylvania. Webster urged discrimination between original and speculative holders. Cf. similar sentiments in Noah Webster's letter of March 5, 1787, to Gov. James Bowdoin of Massachusetts, in *Bowdoin Papers* (*Mass. Hist. Soc. Colls.*, 7th Series, vi), 173–183.

have sold their certificates, which are now in the hands of the speculators, who are known to be very numerous, and many of whom have a vast amount of them."

The extent to which the holders of continental (and state) certificates thus disposed of their small holdings will probably never be ascertained. "A Citizen," writing in the *Columbian Centinel* of Jan. 11, 1792, asserted that "the merchant, farmer, manufacturer and artisan retained their stock, until it rose to par, then paid off their debts and are now prosecuting business on their own capitals." There is good evidence that in Connecticut this was largely true.[1] But certainly a very considerable body of certificates was disposed of by the original holders to speculative holders. Andrew Craigie, than whom there was no more competent observer, wrote in July, 1788, to his London principal, after trying with difficulty to buy up large quantities for him:[2] "The greater part of the public Debt is held by rich people who can afford to keep their Interest." A defender of the speculators, writing in the New York *Daily Advertiser* early in 1790,[3] said: "The army debt . . . has been the principal object of speculation; and has been sold again and again, and is now in the hands of the speculators."

It is clear that by the end of the war the public creditors, or holders of public securities, constituted a more or less numerous class of no mean importance, by no means identical with the original holders of the certificates.[4] In 1789 a Philadelphia paper asserted, probably with correctness, that £70,000 of the £111,000 annual funding "tax" of that state was drawn by twelve persons of Philadelphia and New Jersey.[5] "Oliver," writing to the *Massachusetts Centinel*, Dec. 2, 1786, calls them a "few men in each state." But Christopher Gore of Boston, an observer close to the heart of the situation, wrote early in

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[1] Cf. Beard, *Economic Origins*, 183, 363, quoting Congressman Sherman in the House, March 1, 1795, and assertions by one who was a notary public in Hartford in 1790, in the *Conn. Courant*, Sept. 22, 1800.

[2] *Craigie Papers*, i, 4.

[3] Quoted in *Mass. Centinel*, March 10, 1790.

[4] Cf. Morris's letter to Congress, quoted *supra*, 179, and Beard, *Economic Interpretation of the Constitution*, *passim*.

[5] Quoted in *Mass. Centinel*, March 25, 1789.

1790 of "great holders" and smaller ones and describes them as "numerous and important."[1] "A Correspondent," writing in the *Massachusetts Centinel* of April 7, 1787, represents 576 out of the 724 Boston votes cast for James Bowdoin (by common consent a large holder) for governor to be those of "Speculators in Publick Securities."[2] Noah Webster, writing in 1787, said that "Thoze creditors who were able to keep their certificates, hav generally done it."[3] It is misleading to describe all the holders as "speculators," for many were investors pure and simple. But in the fluctuations of prices many who were normally investors tended to join the speculating coterie.

Many of these early transfers of securities had ample economic justification, as Morris had seen. Uncertainty of redemption was great, and the risks were advantageously shifted to a class better fitted than the original holders for bearing the risks. One finds an occasional assertion, indeed, that the greatest losses were suffered not by the original holders, who sold at 6s. 8d. to 10s., but by the intermediate holders.[4] The momentary needs of improvident or impecunious soldiers were thus met. Even such transfers, however, brought clearly into view the inequalities of fortune which the war had enhanced, — inequalities which irked the more in the midst of talk of democracy and because they did not correspond closely to clear merit. It can hardly be doubted, furthermore, that many transfers of securities were induced by forms of persuasion which correspond to those employed by the modern "raiders" of deferred dividend policies in life insurance, — persuasion involving concealment or misrepresentation of facts and prospects, taking advantage of the ignorance and credulity of individuals, if not overt fraud.[5] It is established beyond peradventure of a doubt that the security holders as a class cast their weight strongly — some large holders emphatically, others more quietly — on behalf of favorable treatment at the hands of the state and federal government.[1] And one cannot regard as socially wholesome the sight of an economic class seeking through political action to promote its direct pecuniary advancement, even though the tariff history of the United States has made this sight familiar.

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[1] Gore to King, Jan. 24, 1790, in King, *Rufus King*, i, 386.

[2] With them were twenty-eight "usurers" and eighty-one "Shareholders and directors of the M–tts B–k."

[3] *Essays* . . . (Boston, 1790), 381.

[4] Writer in *Daily Advertiser* (N. Y.), quoted in *Mass. Centinel*, March 10, 1790.

[5] Cf. "A Real Soldier" and "Oliver," in *ibid.*, Mar. 20, 1790, Dec. 2, 1786.

How extensively Duer engaged in these early speculative purchases is not clearly indicated by the surviving evidence. He was the sort of man to engage in them. His army contracts put him in a position favorable to picking up securities.[2] In the summer and fall of 1787, when the Scioto deal was put through, he was regarded as a large security holder, and, as we have noted, furnished $143,000 in securities for the first instalment paid by the Ohio Company.[3] In this summer also Andrew Craigie went to London to agree with Daniel Parker respecting operations which he should conduct for Parker in New York, including the settlement of the old firm's affairs.[4] Craigie, already close to Duer, sought by this move to come even closer to him and to establish new business relations, almost certainly in the line of security dealings, between the old partners. From London Craigie wrote Duer in August, soon after arriving:[5]

> "My conversation with Mr. P. has as yet been only general but he has promised to make me acquainted with his affairs and to advise with me in his Measures. I believe I have satisfied him that your interest and his are clearly connected and he appears perfectly disposed to avail himself of the advantages which a good understanding with you w^{d} give and to enter into such engagements as will be satisfactory to you. I hope you have written to me fully respecting the several objects of speculation which we have so often conversed on. You and I have gone some great lengths in giving each other proofs of Confidence and I do not believe either of us will ever have occasion to repent it. I do not pretend however to be answerable for the success of my conduct but only for the principles which govern it, these being always consistent with the assurances I have made you will secure me your friendship whatever be the event of your Operations. . . . Do, my friend, devote as much of your time as you can possibly spare to the Object we have in view. . . . It will be best that no one know of my writing

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[1] Beard presents much evidence in his *Economic Interpretation of the Constitution*. Cf. "Oliver," relative to Massachusetts representatives, in *Mass. Centinel*, Dec. 2, 1786. The *Centinel* was far from being an anti-capitalist sheet.

[2] See *infra*, 263.

[3] *Supra*, 139. Probably some of these securities were borrowed from associates.

[4] *Infra*, 254–259.

[5] *Scioto Papers*. I quote here from Hulbert, *Scioto Group*, 8.

> to you nor of the prospect of a union between you and Mr. P. — let silence cover all our transactions — depend on hearing from P. by the very next vessel — pressing business will probably prevent him from writing by this opportunity and he wishes to write fully and clearly. . . . It would be well and indeed have a very good effect were you to get Mr. King and Col. Hamilton to write a friendly letter to D. P. . . . expressing in a strong manner their friendship for you."

In view of these sentiments the letter of Melancthon Smith, a mutual friend, to Craigie, Oct. 4, 1787, is of significance.[1] He says: "I suppose you are by this time plunged, head and ears in speculation, you must only take care that you do not pursue the plan of a famous financier in France, and I recommend to your consideration . . . the Mississippi scheme." Craigie's shipment of securities to Parker in November, 1788, included "50,000 bo^{t} of Duer."[2] It may have been this sum which was later a subject of controversy with James Jarvis, who objected to Duer's claim "to a moiety in his [Jarvis's] contract with D. Parker, by declaring that I [Duer] had forestalled the Market on him."[3] Craigie wrote Parker Apr. 1, 1788: "He is with me in every Thing & will render me very great service."[4] The chances are that Duer was quietly but frequently purchasing at propitious intervals during these years, that by 1788 he had accumulated a large property "in the funds," and that at propitious intervals he sold as well.

Meanwhile, as we have seen, he rationally devoted part of his energies toward (1) strengthening the federal government, (2) increasing the American demand for securities by making them a medium for the purchase of western lands, and (3) developing the European market for American funds and establishing international connections which would enable him to take advantage of that market. It is quite possible that his connection with the Ohio Company was due less to a desire to speculate in lands than to the hope of increasing the price of securities, though the enterprise had the beauty of combining two important speculations in one. Without intimating that he betrayed his trust as a public servant, or invariably acted in his own private interest, one must interpret his political and business activities, in this period of his service in the Treasury Department, in the light of his financial stake in the public stocks. In this light, too, the talk of New York preceding his appointment to the new government is significant.

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[1] *Scioto Papers.*

[2] Craigie to Parker, Oct. 27, 1788, in *Craigie Papers*, i, 22.

[3] *Ibid.*, ii, 55, iii, 32.

[4] *Ibid.*, i, 11.

The year 1788 saw an increase in security dealings, fostered by the vicissitudes of the new Constitution as it ran the gauntlet of the ratifying conventions. Funds came in from Europe for investment in American securities. Craigie wrote Parker May 7 [1] that Herman LeRoy, a New York merchant with close Dutch affiliations, "is buying, I suppose for the Willinks & Stadniski" — the former a leading Dutch banking house, the latter the Parisian capitalist who was even now associated with Clavière in sending Brissot. He wrote again July 27 that Burgess, representative of the London firm of Champion & Dickerson, had $50,000 which he would sell at 5s., when small quantities were selling at 4s. 3d. to 4s. 4d.[2] Christopher Gore wrote Craigie August 31 of an offer of $10,000 at 4s. 8d. by one Ward, who told Gore

> "that he was certain of 5/. in a few weeks — that a gentleman is gone to Holland to contract for a large sum — that this same gentleman has before made a very advantageous settlement in a business of this kind — that he employed him to purchase and he is in daily expectation of orders to purchase half a million of Dolls."[3]

In September Craigie sent to Parker $400,000 in securities, purchased at 4s. 7d. and 4s. 9d., of which $300,000 were for the Parisian firm of Tourton & Ravel;[4] and he continued purchasing largely for Parker, heavily in November, 1788, and January and February, 1789, and at intervals thereafter.[1] There were doubtless other European groups of capitalists, like Clavière and his circle, who sent out agents like Brissot to investigate and invest; and others like Daniel Parker who were already employing American agents like Craigie to buy up securities for them to hold or dispose of at higher prices in Europe.[2] There were others in America too, like Christopher Gore and Andrew Craigie, who in the latter half of 1788 were engaged in cautiously purchasing $100,000 in securities as a secret joint venture.[3]

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[1] *Craigie Papers*, i, 16. Cf. Cutler to Putnam, April 9, 1789, in Cutler, *Manasseh Cutler*, i, 443–444.

[2] *Craigie Papers*, i, 4.

[3] *Ibid.*, ii, 68. Gore inferred that James Greenleaf was the man referred to. Despite Ward's tall talk, Gore offered him 4s. 6d. payable in one month, and on September 2 contracted with him on these terms: *ibid.*, ii, 69.

[4] *Craigie Waste Book* (*Journal*), Sept. 3, 10, 20, 1788; and see further in *ibid.*, November, 1788, January and February, 1789. This is evidently in response to word received by letter and messenger in July. Cf. Craigie to Parker July 27, in which Craigie reports having engaged $30,000. The business dragged on. October 27 Craigie wrote that by the next packet he would send "a considerable Sum together with the 50,000 bo^{t} of Duer & I expect to send to the extent of our funds by the *Dec^{r} packet*." December 3 he writes sending certificates to the Van Staphorsts for $70,000, promising more by the January packet.

Prices, however, were not raised so much during this period as one might imagine. Jan. 7, 1788, Christopher Gore quoted Boston prices of continental securities (principal) as 4s.0–6d.[4] On February 20 Manasseh Cutler wrote to Richard Platt that securities had fallen since his return from New York, and intimates that they were to be had for 2s. 6d.; but ratification by Massachusetts gave them "a sudden start," and when he wrote they were at 3s. 6d.[5] During most of April, May, and June prices stood near 3s. 6d.,[6] but late in June, when (though New York had not yet acted) sufficient states had acted favorably to insure the establishment of the new government, the price rose to 4s.–4s. 6d.[7] From this time till October, 1789, prices did not materially change, but in the midst of numerous fluctuations tended more or less upwards to about 5s., disappointing the speculators by their failure to rise further.[8] Meanwhile indents

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[1] May 23, 1789, he reports having an option on $100,000. A letter of July 11 to Samuel Rogers, Parker's London partner, indicates that the parties were disappointed at the outcome of the first purchases. *Craigie Papers*, i, 4, 22, 28, 35, 38.

[2] For the Parker-Craigie purchases at this time, see esp. Craigie to Parker, October 27, December 3, in *ibid.*, i, 22, 28.

[3] Cf. Gore to Craigie, Jan. 7, 1788: "I can purchase 20 or 30,000 finals at 4/ & 4/6 — say between those prices — shall we speculate?" Also later letters of August 9, 12, 24, September 2, 9, 18, October 4, November 9, 16, December 29, February 1, 17, in *ibid.*, ii, 58, 61, 63, 66, 69–72, 74, 75, 80, 81, 83.

[4] *Ibid*, ii, 58.

[5] Cutler, *Manasseh Cutler*, i, 380–381.

[6] See Craigie's current letters to Parker and Rogers, his London principals, in *Craigie Papers*, i, 14–16, 18, and Flint to Craigie, in *ibid.*, ii, 22.

[7] Craigie to Rogers, June 30, in *ibid.*, i, 19.

[8] See quotations in 1788 letters to and from Craigie, in *ibid.*, i, 4, iii, 60, 61, 64, 65, 68, 69, and *Waste Book*, Sept. 3, 1788; and see monthly quotation series beginning in *Massachusetts Magazine* for April, 1789, charted *infra*, 187. Cf. Hamilton in his Report on Public Credit, *Works*, iii, 4; Cutler to Putnam, April 9, 1789, quoted *supra*, 142–143.

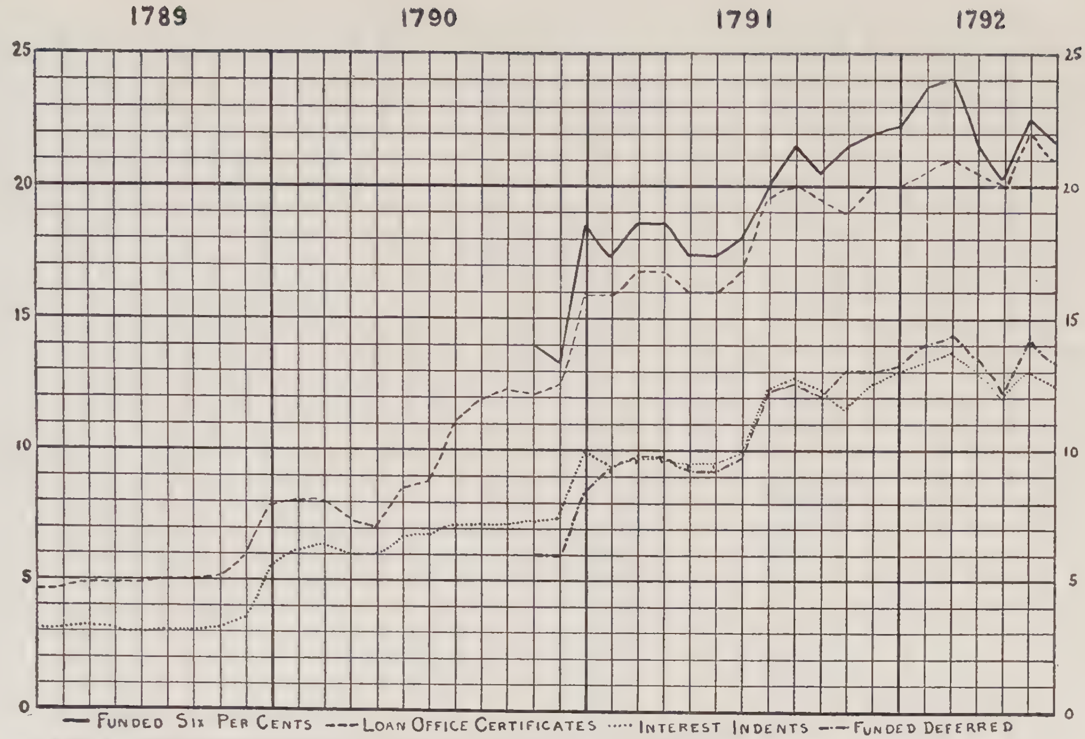

FIG. 1. BOSTON MONTHLY QUOTATIONS OF SELECTED PUBLIC SECURITIES, 1789–92. (Par, 20 shillings.)

Figures are given in Appendix A, compiled from the *Massachusetts Magazine.* The chart shows only the general movement of prices, notably the successive semi-annual upward swings and reactions.

— the certificates given in payment of interest due on the principal — rose to slightly over 3s.

Late in 1789 speculation became rampant, and continental securities took a great jump on their way to par — the first of four marked upward swings that for the next two years came at roughly semi-annual intervals. From 5s. 2d. October 31 and 5s. 10d. November 30, loan office certificates and final settlements rose to 7s. 10d. December 31 and soon after to 8s. and above; while indents in the same time from 3s. 2d. to 3s. 6d. and 5s. 6d., and soon after to above 6s.[1] Edward Fox wrote from Philadelphia, Dec. 7, 1789, "the Rage of the Day is the purchase of Stock."[2]

The appointment of Hamilton and Duer to the Treasury Department doubtless played a considerable part in this movement, for their views were known to be favorable to "just" treatment of the public creditors. Ears were laid to the ground and every effort made to learn in advance of the plans which Hamilton was to propose to Congress. Andrew Craigie, for instance, wrote the Dutch firm of Van Staphorsts, in June, 1789, to offer his services, and added:[3]

> "It is my object to cultivate & improve such officials [sic] connections as shall give me the best opportunity for acquiring information & forming just opinions respecting the finances & Politicks of the U. States & it will give me pleasure if I should be able by any communication, to serve your views."

Writing to Parker by Barlow in May, 1788, Craigie said:[4]

> "The public Debt affords the best field in the world for speculation — but it is a field in which strangers may easily be lost. I know no way of making safe speculations but by being associated with people who from their Official situation know all the present & can aid future arrangements either for or against the funds."

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[1] Boston prices as quoted in the *Massachusetts Magazine*, shown graphically *supra*, 187.

[2] *Craigie Papers*, ii, 214. Cf. McMaster, *History*, i, 370–384, for discussion of this speculative movement.

[3] *Craigie Papers*, i, 37. Cf. also Fox to Craigie, Jan. 11, 1790, asking for judgment regarding Hamilton's forthcoming plan, and Barrett to Craigie, Feb. 10, 1790, in *ibid.*, ii, 16, iii, 2.

[4] *Ibid.*, i, 11. The same letter contains Craigie's statement that he went into the Scioto concern "in order to strengthen my union with D."

How well he carried out his plan may be inferred from his letter to Parker, May 8, 1790, in which he writes: "I lodge in the house with M^{r} Strong, M^{r} Ames M^{r} Sedgwick & several other Members of Congress," and reports conversation, regarding the prospects for the assumption of the state debts by the federal government, with Strong, Ellsworth, and even Hamilton, who expressed "very little Doubt" about it.[1] By such means Craigie learned before the general public about the famous bargain by which the national capital was fixed on the Potomac and the assumption agreed to; and in September he was aware in advance of the Secretary's intention to purchase securities for the sinking fund.[2] Joseph Barrell of Boston wrote his brother-in-law, Gen. Samuel B. Webb of New York, Oct. 8, 1789:[3]

> "You know I have a considerable Sum in indents, and as you are intimate with M^{r} Hamilton, the man to whom we look for the resurrection of the Public Credit, I wish you would find out how his Ideas upon that matter, and whether he purposes to do anything about them in his plan, w^{ch} no doubt he will lay before Congress at their next Session; and if anything, what I can then judge whether I had best dispose of them at the present price, or puchase more; do attend to this matter and inform me as soon as you can."

Henry Lee wrote frankly to Hamilton himself from Virginia, Nov. 16, 1789:[4]

> "From your situation you must be able to form with some certainty an opinion concerning the domestic debt. Will it speedily rise? Will the interest accruing command specie or any thing nearly as valuable? What will become of the indents already issued? These queries are asked for my private information; perhaps they may be improper. I do not think them so or I would not propound them — of this you will judge and act accordingly. . . ."

Duer, who must have consulted with his chief regarding the report, was similarly shadowed and definitely approached. Brissot wrote from Paris, Nov. 27, 1789, to congratulate him on his promotion and to introduce the bearer, Mr. Cazenove of Amsterdam (one of the group sending Brissot to America), whom, says the letter,

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[1] *Craigie Papers*, i, 58. Cf. also in *ibid.*, i, 54, Craigie's letter to Samuel Rogers, April 10, 1790: "It is the opinion of the Secretary of the Treasury that it will be carried & that they cannot get through the other parts of the plan without it."

[2] Craigie to Parker, July 8, 10, 1790, in *ibid.*, i, 69, 70; letters to Parker and Rogers, Sept. 1, 1790, cited *infra*, 146, note 3.

[3] *Webb Correspondence*, ii, 142.

[4] Hamilton, *Works*, v, 445. Cf. Herman LeRoy's inquiries that his Dutch friends might speculate: J. A. Hamilton, *Reminiscences*, 17–18.

> "I mentioned to you very often. he is to settle himself in america, & I believe to make some speculations in your funds. I am sure, knowing your obliging temper you'll give him good informations about his speculations; & I'll be much obliged to you to do it & to introduce him to your acquaintances."[1]

It was persistently charged, as early as January and February, 1790, that the great upward swing of prices was due to purchases by insiders or the leaking out of the purport of Hamilton's plans, coupled with a knowledge of his strength to support his recommendations. Thus the Pennsylvania senator, Maclay, wrote in his *Journal:*[2]

> Jan. 14. "An extraordinary rise of certificates has been remarked for some time past. This could not be accounted for, neither in Philadelphia nor elsewhere. But the Report from the Treasury explains all." Jan. 15. "It appears that a system of speculation for the engrossing of certificates has been carrying on for some time. Whispers of this come from every quarter." Jan. 18. "Hawkins, of North Carolina, said as he came up he passed two expresses with large sums of money on their way to North Carolina for purposes of speculation in certificates. . . . Nobody doubts but all commotion originated from the Treasury; but the fault is laid on Duer but *respondent* superior."

Maclay claimed to have evidence that Hamilton had revealed his plans in advance to Thomas Willing, partner of Robert Morris and president of the Bank of North America. "An Independent Observer" wrote in the New York *Daily Gazette*, Feb. 10, 1790:

> "Long e'er the Secretary's Report was made public, a writer in a New England Paper labored much to establish the ridiculous doctrine, 'that the

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[1] *Duer Papers*, 194–195. Cf. Cazenove's introduction to Craigie from the Staphorsts, dated Nov. 28, 1789, in *Craigie Papers*, ii, 205, as "a Gentleman who to gratify his thirst after knowledge in order to become better acquainted with the Genius of their Government and the objects of their growing Commerce."(!) Introductions of Cazenove appear later in Jefferson to Dr. McLurg and Beverly Randolph and to Clavière, May 1, 1791, Aug. 16, 1792, and Carmichael to Jefferson, Aug. 15, 1791, in *Jefferson Papers*, Series 1, iv, 177, 179, 441, Series 2, xv, 46. Cf. Hamilton to Wolcott, Nov. 20, 1797, in *Works* (Const. ed.), x, 273–274.

[2] Pp. 177–179, 188.

public debt was a public blessing. . . .' Anticipation was so violent, that the Secretary's plan had got advocates three months before it could be known to the public. About forty persons in Philadelphia, forty more in New York, thirty in Boston, ten or a dozen in Baltimore, half a dozen in Charlestown, possessed themselves of the greatest proportion of the public securities. That is a fact that is well known. . . ."[1]

Careful investigation has not yet uncovered evidence clearly tracing to the Secretary any indiscretion in this connection.[2] To his Virginia inquirer Hamilton replied:[3]

> "I am sure you are sincere when you say that you would not subject me to an impropriety; nor do I know there would be any in my answering your queries. But you remember the saying with regard to Caesar's wife. I think the spirit of it applicable to every man concerned in the administration of the finance of a country. With respect to the conduct of such men, *suspicion* is ever eagle-eyed. And the most innocent things, may be misinterpreted."

Duer's skirts are not so clear, though convincing evidence is not yet at hand. It is clear that Leonard Bleecker, a New York broker, left for South Carolina early in December to buy up continental securities for Duer's associate Craigie; that on the way he fell in, and made common cause, with one Pomeroy bound on the same errand and bearing a bill of exchange from Platt, another intimate of Duer's; and that in consequence of a letter from Craigie's partner Johnson, dated December 15, Bleecker began buying South Carolina paper, which in a short time rose from "11 to 14 for 1" to "eight or perhaps seven" — an increase for which Bleecker cited local causes.[4] A private letter from New York, as cited by Craigie's correspondent, Edward Fox, January 11, asserted that Bleecker had been sent by "Constable, Duer & Co." "and in two weeks he has raised the certificates *of that State* from $16^{d.}$ to 4/."[5] Theodosius Fowler, a broker who coöperated with Duer later in 1790 in securing an army contract, had his brother-in-law in Wilmington, N. C., all through the fall and winter of 1789–90, securing loan office certificates.[1] Moreover, early in 1790 Duer and Flint, and probably Constable, joined in a contract with Theodosius Fowler & Co. for $30,000 in South Carolina certificates.[2] Three years later Duer and Flint confidentially confessed to Melancthon Smith that during his office-holding Duer took from the Treasury warrants "drawn upon some of the Loan officers," "to deposit as collateral security for some of his private engagements."[3] It is hard to escape the conviction that Duer's intimate associates received from him sufficient advance information of Hamilton's proposals to warrant heavy purchases[4] and that he himself, through some of them, bought heavily. To their personal actions the entire boom cannot be attributed, but, closely watched as they were, they and the imitation of their attitude and example must have played a large part in the movement of this winter.

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[1] I quote from *Boston Gazette*, March 1, 1790. Cf. also the debate in Congress: *Annals of Cong.*, i, 1094–1103.

[2] Cf. Beard, *Econ. Interp. of the Const.*, 107–112.

[3] Dec. 1, 1789: *Works*, v, 446–447.

[4] Bleecker to Craigie, Dec. 15, 26, 1789: *Craigie Papers*, ii, 116–117.

[5] *Ibid.*, ii, 216.

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[1] Bleecker to Craigie, Jan. 23, 1790: *Craigie Papers*, ii, 119.

[2] Cf. Constable to Craigie, April, 1790, and another relevant document, in *ibid.*, ii, 234, i, 112.

[3] In view of the importance of the issue which the letter in the *Craigie Papers* does not clear up, it is worth quoting on this point. Seth Johnson, partner of Andrew Craigie in New York, writes to Craigie in Boston, Dec. 24, 1793 (*ibid.*, iii, 86): "You doubtless recollect the publication of A G Frauncis respectg the Secretary of the Treasury. M^r Mel. Smith informed me last Evg. that he had traced the business respecting the Warrants. It appears that M^r D–r [name erased but visible] when in the Treas^y office took the warrants to deposit as collateral security for some of his private engagements. they were first deposited here, afterwards in Phil^a at which place Frauncis purchased them. they were drawn upon some of the Loan officers by them paid, & returned to the Treasury as vouchers to their Accounts. When Frauncis presented them for payment the manner in which they had been put into circulation no doubt was then discovered by M^r Hamilton, & which itself explains the reason of his refusing to pay them. — What I have related M^r S. has from D & F–t. [Flint?] — & is communicated to me in *confidence* with leave to mention it to you. It is supposed Frauncis was acquainted with the circumstances. — What a scene of, may I not say, villany will the investigation of this business disclose. It will make —— [Duer?] appear in the most dishonorable point of view, nay infamous. — I must enjoin it upon you to keep what I have communicated to yourself." For the charge that Hamilton had delved into stock speculation and that Duer, while his assistant, furnished lists of certificates outstanding to Reynolds, a speculator, see Hamilton, *Works*, v, 583–587, and *Works* (Lodge ed.), vi, 464, 509. Lodge quotes Wolcott's affidavit, July 12, 1797, that "nothing occurred at any time to my knowledge which could give colour to a suspicion that Mr. Duer was directly or indirectly concerned with or privy to the transaction;" and he points out that while Duer resigned in March, 1790, the person who furnished the lists was first employed in February, 1791.

[4] One is inclined to believe that it was by such tips that Duer made himself "strong" with his business friends.

Foreign funds again flowed in freely.[1] James Greenleaf, for the firm of [James] Watson & Greenleaf, negotiated a series of loans with the Dutch firm Daniel Crommelin & Sons, under twelve contracts between Jan. 1, 1789, and Aug. 1, 1792, for an aggregate of $1,300,000, secured chiefly by United States securities and United States Bank stock.[2] Sometime early in 1790 Daniel Parker established a trust in London for the sale of American securities.[3] He wrote Craigie Feb. 23, 1790, of a Major Haskell who was about to depart for America with £10,000 sterling to invest in indents, southern state certificates, and the like, and asked him to give him information.[4] The Dutch agent Cazenove arrived probably early in January and was a heavy purchaser, buying of one man more than $100,000 in South Carolina debt in April and purchasing again heavily and fortunately early in August.[5] On December 2 Craigie wrote Parker:[6] "There appears many foreign purchasers in the market." And a few days later he wrote that Col. Wm. S. Smith had lately embarked suddenly in the packet, probably to execute a scheme of Smith's and Richard Platt's to borrow in London on deposit of stock.[7]

The months in which the funding and assumption bills were before Congress, while they saw no great rise in continental securities, were months of intense speculation, and saw a considerable increase in purely speculative dealings, — buying and selling the funds and rapid changes of investments, as contrasted with speculative purchases in the hope of eventual rise.[8]

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[1] Cf. *American Daily Advertiser*, Jan. 11, 1792 ("Customer"): "The great rise in stocks it is well known has been owing to the desire of foreigners to purchase in the funds."

[2] Allen C. Clark, *Greenleaf and Law in the Federal City* (Washington, 1901), 81.

[3] Craigie to Parker, July 8, 1790, expressing pleasure at perusing the deed: *Craigie Papers*, i, 69.

[4] Cf. letters of April 17, May 8, 24, June 30, in *ibid.*, i, 56, 58, 61, 68.

[5] See Craigie's letters to Haskell May 24, 1790, to Parker May 25, to Rogers August 18, in *ibid.*, i, 61, 62, 76. Craigie speaks of him as "a Gentleman from Amsterdam & who represents all the great negotiators in American paper."

[6] *Ibid.*, i, 109.

[7] Dec. 7, 1790: *ibid.*, i, 111. For a similar scheme at the same time, see *infra*, 196.

[8] See, for example, the letters of the wealthy Bostonian, Joseph Barrel, to Gen. S. B. Webb, his New York agent, in *Webb Correspondence*, iii, 149-166; and Craigie letters, in *Craigie Papers*, i, 54, 61, 68, 69.

By the act approved Aug. 4, 1790, the assumption of the state debts and the funding of both these and the continental certificates into three new security issues were both finally legalized;[1] and the actual exchange of securities took place quietly not long after, chiefly in December, 1790, and January, 1791.[2] The effect of the assurance of passing the act was, in July and August, the second great upward swing which brought the continental principal securities up to around 12s.[3] and raised still more some of the securities of the states with weaker credit. Indents, refunded into three per cent securities, rose at this time but slightly.

The upward movement was definitely and consciously promoted by the Secretary of the Treasury. Hamilton believed that the credit of the United States warranted the sale of six per cent securities at par, and frequently referred to such a price as their "proper," "due," "true," normal value. Authorized by the act of Aug. 12, 1790, to make purchases of stocks for the sinking fund, he set about using the power with a view less to retire the debt as economically as possible than to raise its market price or prevent it from falling. Accordingly his purchases, eagerly forewatched by calculating speculators,[4] were usually made when something had occurred to bring the market low, and were not made at the minimum market price.[5] Consequently his actions were favorable to the bulls.

Hamilton's first purchases were made on Sept. 19, 1790, at 12s. 6d. for principal and 7s. 2d. for indents. Craigie quoted the current market price at this time as 12s. 4d., and further letters indicate a subsequent fall.[6] Early in October, however, the new stocks were quoted at 14s. for sixes, 7s. 3d. for threes, and 6s. for

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[1] *U. S. Stats. at Large*, i, 138–144.

[2] *American Museum*, ix, App. III, 6 (1791); *N. Y. Journal*, Oct. 8, 1791.

[3] The *Mass. Centinel*, Aug. 14, 1790, reported prices of 13s. 4d.

[4] Cf. Craigie to Parker and Rogers, Sept. 1, 1790, in *Craigie Papers*, i, 78, 79, and Joseph Barrel of Boston to S. B. Webb, Aug. 15, 1790, in *Webb Correspondence*, iii, 166: "I wish you would keep me informed of the rise of paper in consequence of Application of the Secretary of the Treasury to lay out the Million dollars, & let me know the best time to sell *to him 10 m* as I find my Voyage to the Northwest Coast has been murdered by Clumsiness, &c., and I shall want some money to provide a Stock to set my Son at work. . . ."

[5] Detailed reports of purchases are in *American State Papers, Finance*, i, esp. 81–82, 111–113, 162–168, for early years.

[6] *Craigie Papers*, i, 87, 88, 91.

"deferred." During this month the announcement of "the negociation of a loan with the wary Hollanders, on favorable terms," for $2,000,000, reacted favorably on the American market.[1] In mid-December Hamilton purchased sixes at 15s. 10d., and within two or three days they had jumped to 17s. 6d.[2] At the end of the year quotations as high as 18s. 6d. were registered.

The funding process did not *create* a "monied interest," as Richard Henry Lee asserted when he wrote Patrick Henry June 10, prophesying gloomily that it would "forever be warring against the landed interest, to the destruction of the latter,"—to which they belonged; for such a class already existed. It did, however, enhance the importance of those whose investments were in the form of securities: it made their wealth more readily marketable, provided them with a satisfactory collateral for bank loans, and, as the public credit improved, partly in consequence of the measure, it increased the sum of their wealth. How great was this increase in personal wealth is graphically shown by the chart of prices shown above (p. 187), so far as federal securities are concerned. Between October, 1789, and December, 1791, these securities, in consequence of semi-annual upward swings, quadrupled in market value. Between October, 1790, and December, 1791, the newly issued federal securities rose, the sixes sixty per cent, the threes eighty-five per cent, the deferred one hundred and twenty per cent. There were of course many fluctuations meanwhile, many losses incurred, and disappointments that no larger gains were secured. But as a class the security holders, including the speculators proper, unquestionably gained heavily.[3]

Another important consequence of the funding and assumption policy was that organized (as contrasted with unorganized) speculation was tremendously facilitated, merely by standardization of the securities into three fairly simple types, — the six per cents, the three per cents (in which unpaid interest obligations were funded), and "deferred" six per cents (interest on these being deferred till 1800), — all based simply on the credit of the United States.[1] It is no accident that the development of an organized security market did not precede, but followed close upon the accomplishment of the funding process. Within two or three years typical speculative methods, hitherto little known in America, were naturalized here.

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[1] *General Advertiser*, Nov. 6, 1790. Cf. London note in N. Y. *Daily Advertiser*, Jan. 12, 1791.

[2] *N. Y. Magazine*, i, 729 (December, 1790).

[3] On Aug. 10, 1790, Craigie wrote Foster, his brother-in-law: "I have done pretty well in my Speculations." *Craigie Papers*, i, 74. C. A. Beard hazards the guess (*Econ. Interp. of the Const.*, 35) that "at least $40,000,000 gain came to the holders of securities through the adoption of the Constitution and the sound financial system which it made possible." That the gain was as large as this can hardly be doubted, yet part of it was doubtless due to improved business conditions for which the governmental improvements were by no means wholly responsible.

Borrowing stock gradually became familiar. Late in 1789 Craigie and Robert Morris separately tried in vain to induce Philadelphia security holders to loan them stocks; Craigie tried his hand also in Boston, and probably in New York as well, but with small success, seemingly partly because of the unfamiliarity of the device.[2] Early in 1790, however, Craigie borrowed $35,000 in securities in Boston and loaned a block of stock to secure funds wherewith to purchase southern state certificates on account of Samuel Rogers of London.[3] Fox, his Philadelphia agent, writing Nov. 30, 1789, of ill success in securing stocks on loan, suggested the possibility of selling "Wager Stock":

> "I believe that a sum of Continental Debt, (Principal) might be sold to be *delivered* in any given time: that is to fix the price at present, and agree upon a mode of fixing it at the end of the Time, — and then without transferring, or delivering any Certificate to *pay* or receive the difference of price. This is the Common practice in England — and is what is there called '*Stock Jobing*.' And it appears to me to be a better plan than the one you proposed." [4]

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[1] See the description in Timothy Pitkin, *A Statistical View of the Commerce of the United States of America* . . . (revised ed., New Haven, 1835), 261–295.

[2] Craigie to Parker, Jan. 12, 1790, Fox to Craigie, November 30, December 3, 7, in *Craigie Papers*, i, 42, ii, 212–214.

[3] Letters to Parker and Rogers, in *ibid.*, i, 42, 47, 54, 64, 76, 78. Cf. Gore to Craigie, August, 1790, in *ibid.*, ii, 65: "Haskell has been in the Eastern Country wishing to borrow 300,000 dolls in continental securities for principal — paying a certain sum in specie, obligating himself to return the amount in a given time, pay the interest — & sink the specie given — this must be from Platt what does it mean?"

[4] *Ibid.*, ii, 212. Cf. Fox's letter of December 3, in *ibid.*, ii, 213: "I find that there are some [certificate holders] . . . who would Wager on the rise or fall in any given Time — and some who would engage to receive in six months at 7/6." In his next letter (December 7) Fox felt it necessary to explain "Wager Stock" to Craigie somewhat more at length: *ibid.*, ii, 214.

Benjamin Walker, an intimate of Duer's in security dealings, indicates by a letter from London early in 1791 that this method was strange to him.[1] It was certainly common after the middle of 1791.[2]

Dealings on credit, however, on all sorts of terms, were common. William Bingham, Philadelphia capitalist, was reported in January, 1790, to have bought "to a considerable Am^{t} at 9/– 3 m^{o} credit" when the current cash price was hardly 8s.[3] Andrew Craigie wrote his Boston agent Aug. 10, 1790:[4] "I wish you could make a good Contract to *receive* 25,000 or 30,000 D^{rs} Indents in 4 or 5 months at 7/6 to be then paid for." In the boom periods of 1791 and 1792 time dealings bulked much larger than cash transactions, at least in New York.

Newspaper quotations begin to appear in Boston as early as 1786. The *Massachusetts Centinel* for July 26 in that year reports:

"Loan Office Certifs. int pd to 1785	Uncertain
Final Settlements do.	2s. 6d.
Appletons certifs of int., issued 1784 & 1785	12s a 13s 4
Facilities iss'd 1786, which pay $\frac{1}{3}$ of tax No. 5	7s."

It was not until 1789, however, that regular quotations came to be printed. The *Massachusetts Magazine* began in March, 1789, a series of monthly quotations for the Boston market. For ten months of 1791 Philadelphia prices were added, and beginning with January, 1793, a series of daily quotations prepared by John Marston, a broker, was published. The *General Advertiser* of Philadelphia issued weekly quotations after October, 1789; the *Gazette of the United States* semi-weekly quotations at least from January, 1791. Quotations were frequent in the New York *Daily Advertiser* after July, 1791, and for a busy six months in 1791–92 remarkably full quotations were given.[5]

Before the end of 1790 sales at public auction were in vogue.[6]

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[1] Walker to Craigie, Jan. 12, 1791, in *Craigie Papers*, iii, 54, and see *infra*, 214.

[2] Cf. *Livingston et al.* v. *Swanwick*, 2 Dallas 300–302 (April, 1793), in which the plaintiff recovered $19,400 on "difference" on a stock contract made July 15, 1791.

[3] Fox to Craigie, Jan. 26, 1790, in *Craigie Papers*, ii, 218.

[4] *Ibid.*, i, 74.

[5] Cf. Appendix C, 342–345.

[6] Probably such sales were in vogue, though less regularly, somewhat earlier. Cf.

Concerning these Craigie wrote Dec. 12, 1790, to his Boston partner:

> "Principal has been sold here as high as 12/10 Cash & Indents at 7/8 but I have my Doubts whether not [sic] the sales were genuine — There has been an attempt to force a rise by selling at public Auction which mode will be continued with a view of crowding the Market & thereby producing a stagnation & Fall The persons concerned expect to gain in the first instance by the rise & than [sic] afterwards by the Fall. I have my Doubts about the success of the enterprise."

But for whatever purpose introduced, auction sales became popular in 1791. Early in July upwards of $180,000 in public securities passed under the hammer of M'Evers & Barclay in New York.[1] There the same month Pintard & Bleecker were advertising auction sales, and in August, at least, prices were quoted from Chaloner's sales in Philadelphia.[2] In this month and afterwards auctions both at noon and in the evening were necessary to satisfy the appetites of the New Yorkers.[3] And in January, 1792, when a bill was presented to the Pennsylvania legislature to impose a tax of one per cent on sales at auction, a "Customer" extolled the virtues of this method:[4]

> "The end for which the above bill was penned must be to effect the total prohibition of all sales of public stocks, bank and canal scrips and all other certificates at auction: experience has proved that the exacting of one per cent. fully prohibits all business of this sort being done. Before auction sales were introduced a mode of sale was adopted and will again be renewed by which equal quantities of stock were vended, but not in as desirable or satisfactory a manner as at auction. Then the ignorant became the dupes of those who were better informed, and continued longer subject to the inconvenience occasioned by that ignorance; it was more difficult thus to come at the true state of the market, and to form an opinion whether sales were real or fictitious, but now it is in the power of every person to try the market by sale of cash for stock, or of stock for cash, as his inclination may direct, without any risque other than the commission on the lot set up for sale; but by the former mode of sale no person could offer for sale, without the risque of his offer being accepted, and frequently have the ignorant been compelled to confirm a bargain in consequence of a precipitate offer, of which they repented the moment they had opportunity to reflect thereon."

Thomas Jones's advertisement as auctioneer and broker in *Mass. Centinel*, April 1, 1789.

[1] *Columbian Centinel*, July 27, 1791.

[2] *Daily Advertiser* (N. Y.), July 22, 26, Aug. 17, 1791.

[3] See quotations in *ibid.*, Aug. 16, 1791, and later.

[4] *American Daily Advertiser*, Jan. 11, 1792.

These years saw the emergence of the stockbroker's profession. In the smaller towns, throughout this period, certain of the local merchants dealt in securities very much as they dealt in dry goods, groceries, and country produce; like the last, securities early furnished a form of currency, and to communities already familiar with bills of credit of varying values the use of state and federal securities, nominally income bearing, was not a long or difficult step. One may hazard the hypothesis that this ubiquitous class of local merchants were the first transferees of the great bulk of the securities, and that through them the great wholesalers and more typical speculators — like Jeremiah Wadsworth, Robert Morris, Andrew Craigie, William Duer, Joseph Barrell — secured much of their holdings. Wealthy landholders who were local money lenders to their less well-to-do neighbors — Elias Boudinot of New Jersey, for example — doubtless furnished another considerable channel by which concentration of holdings took place.

As early as 1783 or 1784 there were men who made a temporary business of journeying hither and yon through the country, either as agents or on their own account, to pick up securities at bargain prices.[1] As early as this, also, brokers dealing on commission began to advertise. Joshua Eaton of Boston, dealing in wine, sugars, rum, cheese, candles, and the like, advertised in June, 1784: "Publick Securities Of every denomination Negotiated: Business on Commission, transacted with attention and punctuality, and every favour gratefully acknowledged." [2] A few weeks later this advertisement appeared anonymously in the same Boston newspaper: "Wanted, A sum of New Hampshire State-Notes: Enquire at the Land-Office. — At this office all kinds of Publick Securities, New-Emission Money, Orders on Collectors, &c are negotiated." [3] By March, 1785, Matthew McConnell was established as a broker in Philadelphia.[4] And

[1] William Hull to Andrew Craigie, Aug. 29, 1784, and Craigie to Parker, May 8, 1790, in *Craigie Papers*, ii, 47, i, 58.

[2] *Mass. Centinel*, July 14, 1784.

[3] *Ibid.*, July 28, 1784. Cf. *ibid.*, Jan. 5, 1788, for mention by J. L. and Benjamin Austin of dealings with Grant Webster, "A negociator in publick securities," in July, 1783.

[4] *Pa. Mag. of Hist. and Biog.*, xix, 397–402; see his advertisement in the *Gazette of the U. S.*, April 30, 1790.

after 1787 the increasing speculation is marked by an increase in the advertisements of buyers and brokers which the business necessitated. Leonard Bleecker, Craigie's agent in South Carolina in January, 1790, writes:

> "I keep a person constantly employed in Town to purchase it, and have engaged another in the Country that can be depended upon, and from whose abilities & acquaintance I flatter myself will probably obtain as much as my money will pay for at 2/6";

and he reported other persons in Charleston from New York, and four local citizens also actively purchasing.[1] Pennsylvania, in the city charter granted Philadelphia in March, 1789, provided for the licensing of brokers in accordance with regulations established by the city councils.[2]

New York promptly established itself as the leading security market. Edward Fox wrote Craigie from Philadelphia Dec. 7, 1789, complaining of the stagnation of the stock market there despite "the Rage" to purchase, and adding:

> "The Reason why our Market is thin, and no sellers upon it, is very plain. Certificates are in the hands of but two classes, either of persons who will not sell at any price, or of speculators, who find New York the best Market, and therefore have forwarded every thing there. No man will sell here because he knows more money is to be had in Your City."[3]

Philadelphia, nevertheless, was fairly important; in Boston there were dealings enough to insure quotable market prices at least in active periods; and outlying cities, like New London and Charleston, were affected to a lesser extent.[4] Prices in Boston and Philadelphia varied more or less from those of New York,[5] generally fluctuating much less; but through the efforts of partnerships with representatives in different cities, frequent letters, and numerous "expresses" and pilot boats, more or less effective arbitraging was accomplished.[6]

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[1] *Craigie Papers*, ii, 119.

[2] *Pa. Stats. at Large*, xiii, 212.

[3] *Craigie Papers*, ii, 214. Cf. Joseph Barrell to S. B. Webb, March 20, 1790, mentioning "the *liberal city of New York*": *Webb Correspondence*, iii, 157. Also Johnson to Craigie, Aug. 20, 1791, in *Craigie Papers*, i, 68: "A very Considerable proportion of the [Bank] Scripts of Phil^a & Boston are in this City."

[4] *Daily Advertiser* (N. Y.), Aug. 19, 20, 1791; *Columbian Centinel*, Jan. 18, 1792 ("A Citizen"); *N. Y. Journal*, Sept. 10, 1792.

[5] Cf. *Mass. Magazine* for 1790, quoting Boston and Philadelphia prices.

[6] Cf. Craigie to Edward Fox, Jan. 25, 1789: "I want finals & I think I could so

The distortion of foreign news for speculative ends is subject for criticism in the *Massachusetts Centinel* as early as Sept. 15, 1790. During the gyrations of August, 1791, there was a considerable bear interest, which did not scruple to misquote the Secretary of the Treasury.[1] Contemporary accounts quite clearly reveal typical speculative "tips" and "pressures." "Discrimination," writing to the *Boston Gazette*,[2] refers to

> "these stock-jobbers, who buy or sell, at a certain distant time, a quantity of some principal fund, at which time they endeavor, according as their contract is, either to raise or lower such stock, by spreading rumours and fictitious stories, in order to induce people either to sell out in a hurry, and consequently sell cheap, or to become unwilling to sell it and consequently to make it dearer, if they are to receive stock. . . ."

James Sullivan of Boston, in his *Path to Riches*, published in 1792, writes:[3]

> "While there are stocks transferable by their constitution, there will be stockjobbers, or men who will buy and sell stocks for themselves and others. While this business is conducted with truth, sincerity and fairness, it may be considered as reputable and honourable; but when in this, or in any other business, chicane, cunning, deceit, and fraud, are adopted as the ordinary means of making a good bargain, the men, who practise in this way, renouncing the principles of truth, honour, and honesty, are contemptible and dangerous to society. . . .
>
> "In our own country, and at the present day, stockjobbing has not been carried to such a height as it has been in England; but we have no reason to conclude that all who have concerned themselves in the business have, in every instance, taken the same care of their neighbour's interest as they have done of their own."[4]

manage it that you might purchase most that should come to your Market provided the present difference of price continues & we could fix on a mode of Exchange — could not you buy & remit securities to me & draw for the amount — if we do any Thing it must be by Exertions on both sides — write me": *Craigie Papers*, i, 30. Cf. Gore to King, July 22, 1790, in King, *Rufus King*, i, 390.

[1] King refers to "the united efforts of some of the dealers to tumble them lower;" and Hamilton, in writing Seton, to "those who depress the funds": *infra*, 204.

[2] Quoted in *N. Y. Journal*, August 20. He refers to the great monied men as the real buyers and sellers, who use the ostensible dealers as instruments: "It is not uncommon thing now a days, to hear of a stockjobber . . . not worth a hundred dollars, making contracts for a hundred thousand."

[3] Edition of 1809, pp. 10, 11.

[4] Cf. Craigie's warning Horace Johnson, whom he sent south to buy, "against the impositions and insidious conduct" of the brokers: March 3, 1790, in *Craigie Papers*, i, 51.

January and February, 1791, were marked by the discussions of the national bank, which was another principal element in the financial policy of the Secretary of the Treasury. The proposal tended to strengthen the demand for the funded securities, for Hamilton recommended and Congress voted that a considerable part of the $10,000,000 capital should be payable in the public stocks. This proposal aroused some debate, but chiefly on the score of discriminating in favor of any one security for the purpose. As finally adopted and amended the provision stood that three-fourths of the total should be payable in United States funded sixes or threes. The effect the establishment of the institution might have upon prices of these securities was adverted to in the debates.[1] Stone of Maryland asserted: "This law is to raise the value of the continental paper. Here . . . is the strong impulse of immediate interest in favor of the bank." And to the fact "that the greatest part of the continental debt has traveled eastward of the Potomac" he attributed the geographical division on the bill. Giles of Virginia said at the close of his speech: "The chief stimulus which I can discover to the existence of this measure, is, to give artificial impulse to the value of stock." On the whole, however, this argument figured but slightly at this time. The arch-opponent, Madison, said early in the debate:

> "The effect of the proposed bank in raising the value of stock . . . has been greatly overrated. It . . . could have little effect on stock in general, as the interest on it would remain the same, and the quantity taken out of the market would be replaced by the bank stock."[2]

When, however, on July 4, the authorized capital was quickly and heavily oversubscribed,[3] a new outburst of speculation carried public securities to new high levels for all time.

The new bank "scrip," as the certificates for the initial payment of $25 were called, were quoted through most of July at 45 to 50, nearly one hundred per cent advance.[4] Early in August, however, they became the subject of a speculation unprecedented in America, for which only the South Sea Bubble could be quoted as a parallel. Prices jumped in New York to as high as 264 @ 280 August 11, whereupon the banks of New York caused something approaching a panic by "declining to continue discounting for some of the deep speculators."[1] In Philadelphia they rose even higher, touching 312, perhaps even 325, at the Coffee House the same evening; there, too, consternation reigned next day when news of the New York break had arrived.[2] A sharp reaction continued to the evening of August 16, when New York prices ranged from 154 to 159 and Philadelphia prices from 125 to 137.[3] In Boston prices ran up from 75 August 9 to 230 August 12, dropping to 110 August 14 and recovering to 158 August 16.[4] Arbitrage dealings prevented longer and wider divergence. A New Brunswick paper of August 23 reports:[5]

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[1] M. St. C. Clarke and D. A. Hall, *Documentary History of the Bank of the United States* . . . (Washington, 1832), 64, 75, 39.

[2] Madison here reveals himself weak both as psychologist and as economist.

[3] See Essay IV, chap. 2.

[4] *Gazette of the U. S.*, current issues.

> "Not less than twenty expresses have passed through this city within one week, from New York to Philadelphia and back — they travel with uncommon speed, from which it appears something of great importance is carrying on; it is, however, we believe, no more than the ordinary business of the day, namely stock-jobbing."

Both in New York and Philadelphia heavy sacrifices were necessary to enable the fulfilment of contracts, and public securities, which had not been especially objects of speculation, but which had risen sharply with the scrip, dropped heavily. From a level of 20s., 12s., and 12s. on August 2[6] they rose on August 12 to 22s. 7d., 13s. 1d., 13s. 6d., and on credits of ninety days contracts were made for six per cents at 24s. and for deferred at 14s.[7] On August 16 they were quoted in Philadelphia at 19s., 12s. 6d., and 12s. 6d.[8] This reflected a dangerous situation and looked bad for the public credit, and the Secretary of the Treasury intervened. He allowed himself to be quoted regarding the proper price of the speculative securities, with not altogether happy results. Rufus King wrote him August 15:[1]

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[1] *Daily Advertiser*, Aug. 17, 1791.

[2] Nalbro Frazier to Andrew Craigie, August 12, in *Craigie Papers*, ii, 174; *N. Y. Journal*, August 13, quoting an express.

[3] *Daily Advertiser*, August 17, 18; *N. Y. Journal*, August 17.

[4] *Daily Advertiser*, August 19, 20; *Columbian Centinel*, Jan. 18, 1792 ("A Citizen").

[5] Quoted in *N. Y. Journal*, August 27.

[6] *Daily Advertiser*, August 5, quoting Philadelphia price current of August 3.

[7] Report of J. Chaloner's auction at the Coffee House in Second Street (Philadelphia) in *Daily Advertiser* (N. Y.), August 17. Cf. *ibid.*, August 4, quoting cash "prices of Stock last evening at public auction" as 21s. 8½. 13s. ½d., 13s. 2d.

[8] *Ibid.*, August 18, quoting letter from Philadelphia dated August 16.

> "several of the Speculators sold their Bank certificates from 50 to 100 Dollars, the subsequent rise mortified them, and they don't fail among other things to quote your opinion, that the Stocks are all too high; they go further and mention prices, below the present market, as the value sanctioned by your authority — it can scarcely be believed that these gentlemen have any foundation for their exertions, but the fact will suggest to you the utmost caution on this subject — I know you must have regretted the late extravagance, but at the present juncture, the most unfair advantage may be made of your remarks, and consequences ruinous to individuals, and quite foreign from your wishes, may proceed from them —"

Hamilton's reply is an illuminating note.[2] He says:

> "I observe what you say respecting the quotation of my opinion. I was not unaware of the delicacy of giving any, and was sufficiently reserved until I perceived the extreme to which bank scrip, and with it other stock, was tending. But when I saw this, I thought it advisable to speak out — for a bubble connected with any operation is, of all the enemies I have to fear, in my judgment the most formidable — and not only not to promote, but as far as depends on me, to counteract delusions, appears to me to be the only secure foundation on which to stand. I thought it expedient, therefore, to risk something in contributing to dissolve the charm. But I find that I have been misquoted. Speaking of sales on time at seventy-four [twenty-four?] shillings for 6 per cent., &c., I think it probable I may have intimated an opinion that they went faster than could be supported. But it is untrue that I have given as a standard prices below those of the market, as mentioned by you. On the contrary, my standard, on pretty mature reflection, has been and is nearly as follows: —

For bank scrip	195
6 per cents	22
3 per cents	12
Deferred	12 8

> I proceed on the idea of 5 per cent interest — taking at the same time into calculation the *partial irredeemability* of the 6 per cents.
>
> "I give you my standard that you may be able, if necessary to contra-

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[1] *Hamilton Papers*, xvi, 126–127. The letter is here dated simply "Monday evening." Hamilton's letter, which is evidently a reply to it, is dated August 7 in the published editions of Hamilton's works. Internal evidence in both letters, however, makes impossible the dating of King's letter August 1, the previous Monday. The dates of August 15 and 17 for the two letters would harmonize well with their contents, and these dates I have assigned them.

[2] Letter dated August 7, probably written August 17, in Hamilton, *Works*, v, 476–477.

dict insinuations of an estimation on my part short of that standard — for the purpose of depressing the funds."

Furthermore, by authorization of the trustees of the Sinking Fund, Hamilton entered the market with public funds to purchase at 20s., 12s., and 12s. 6d.[1] By letter of August 15 he authorized William Seton, cashier of the Bank of New York, as his agent, "to apply one hundred and fifty thousand dollars toward purchases in the city of New York;"[1] and he followed this up with a private, explanatory one next day, in which he wrote:[2]

> "I hardly expect that you will be able to procure the debt within the limits prescribed, and yet I do not know what effect the imprudent speculations in bank scrip may produce. A principal object with me is to keep the stock from falling too low in case the embarrassments of the dealers should lead to sacrifices; whence you will infer that it is not my wish that the purchases should be below the prescribed limits, yet if such should unfortunately be the state of the market, it must of course govern. The limits assigned for the purchases of 3-per-cents and deferred debt are founded on a calculation of the government rate of interest being 5 per cent. The same rule has not been extended to the stock bearing an immediate interest of 6 per cent., because the government have a right to redeem it at par in certain proportions; and though to individual purchasers it is worth more than par, because a part only can be redeemed, yet it is not at present the interest of the government to give more than par for it, because of the right to redeem a part. Indeed, the law limits the commissioners in this particular. You will recollect that the act requires that the purchases should be made openly. This has been construed to mean by a known agent for the public. When you make a purchase, therefore, it will be proper that it should be understood that it is on account of the United States, but this need not precede the purchase; and it will be best that there should be no unnecessary demonstration, lest it should raise the hopes beyond what will be realized.
>
> "P.S. — If the prices of stocks should exceed the prescribed limits, you may retain the letter to the directors. If there are any gentlemen who support the *funds* and others who *depress* them, I shall be pleased that your purchases may aid the *former*, — this in great confidence."

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[1] Resolution and formal letter in Hamilton, *Works* (Lodge ed.), viii, 231–232. The *Daily Advertiser* (N. Y.), August 19, states that he purchased six per cent stock in Philadelphia at 20s. 1½d.

[2] Hamilton, *Works* (Lodge ed.), viii, 232–233. In the J. C. Hamilton edition the P.S. is omitted. Cf. S. Johnson to Craigie, August 20, in *Craigie Papers*, iii, 68: "To prevent the ill effects which too great depreciation in the price of Scripts would produce is supposed to be one of the motives which induce M^r Hamilton to come forward for the purchase of funded debt at the prices mentioned in my last — For it would be much more advantageous for the holders of funded Debt & Scrips in order to raise money to sacrifice 10 P cent on the former by selling at the price than to sink 50 or 100 on the latter. This not only opens a source of relief to the exigent — but fixes a determinate value on the funds."

This letter and Hamilton's subsequent activities in the same direction clearly show that he was not concerned to secure stocks for the sinking fund at most favorable prices, and that he was in full sympathy with the bullish sentiment, though not with its extremes or with all of the methods and actions it inspired. It also must be read in the light of Duer's activities and relations to Hamilton.

Before the market reached its height on August 11 Hamilton wrote a sharp letter of caution to his friend Duer, who was credited with promoting the gyrations of scrip. Duer seems to have replied with indignation,[1] and King advised Hamilton, in the letter just quoted:[2] "I think Duer has been injured in being supposed to have been particularly engaged in raising the B^{k} Certificates — so far as I can learn his conduct has been as correct as any Buyer's & seller's could be —" To Duer's letters of explanation Hamilton sent this mollifying reply, August 17:[3]

"I fear that in the hurry of writing my letter on the subject of bank scrip, I must have expressed myself more strongly than was intended.

"The conversation here was, 'Bank scrip is getting so high as to become a bubble,' in one breath; in another, 'Tis a South Sea dream;' in a third, 'There is a combination of knowing ones at New-York to raise it as high as possible by fictitious purchases, in order to take in the credulous and ignorant;" in another, 'Duer, Constable, and some others, are mounting the balloon as fast as possible — if it don't soon burst thousands will rue it,' &c., &c.

"As to myself, my friend, I think I know you too well to suppose you capable of such views as were implied in those innuendoes or to harbor the most distant thought that you could wander from the path either of public good or private integrity. But I will honestly own, I had serious fears for you — for your *purse* and for your *reputation;* and with an anxiety for both I wrote to you in earnest terms. You are sanguine, my friend. You ought to be aware of it yourself, and to be on your guard against the propensity. I feared lest it might carry you further than was consistent either with your own safety or the public good. My friendship for you, and my concern for the public cause, were both alarmed. If the infatuation had continued progressive, and any extensive mischiefs had ensued, you would certainly have had a large portion of the blame. Conscious of this, I wrote to you in all the earnestness of apprehensive friendship.

"I do not widely differ from you about the real value of bank scrip. I should rather call it about 190 to be within bounds, with hopes of better

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[1] Both these facts are to be inferred from Hamilton's letter of August 17, next quoted.

[2] *Hamilton Papers*, xvi, 127, partly quoted above.

[3] Hamilton, *Works*, v, 478–479.

> things, and I sincerely wish you may be able to support it at what you mention. The acquisition of too much of it by foreigners will certainly be an evil.
>
> Yours, sincerely and affectionately, — "

Whether or not Duer acted imprudently or worse, he certainly was an active speculator. Certain accounts with his agents which came to light the next year show that he borrowed heavily, presumably for security purchases, during these summer months.[1] The clear inference from the upward swing of prices and the subsequent fall is that his purchases, together with those of the imitators of so noted a dealer, were a large factor in causing the rise. Hamilton's solicitude for those "who support the *funds*," as expressed in the letter to Seton, and specific expressions in Hamilton's letter to Duer August 17, support this inference. It is worth noting that, in response to Hamilton's letters, Seton purchased *from Duer* $14,000 in deferred debt August 17 and $38,695 more August 27 (the latter at 12/6).[2] But despite some losses on purchases made at peak prices,[3] Duer was very likely a gainer by the whole operation, for the level maintained after the break was distinctly higher than before the boom.[4]

The summer of 1791 saw a great broadening of the market and a general public participation in the speculation. As early as July 1 Jefferson wrote Monroe:[5] "It is impossible to say where the appetite for gambling will stop." Rufus King remarked in his letter of August 15 from the centre of activity in New York:[6]

> "The fall of Bank certificates may have some good effects, it will operate to deter our industrious citizens from meddling in future with the funds, & teach them contentment in their proper vocations — . . . the Business was going on in a most alarming manner, mechanicks deserting their shops, shopkeepers sending their goods to auction, and not a few of our merchants neglecting the regular & profitable commerce of the City — a check was necessary — the explosion will restore order, and we shall return to our regular pursuits. . . ."

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[1] See *infra*, 284–285.

[2] *American State Papers, Finance*, i, 117. Cf. *ibid.*, i, 231, and Beard, *Econ. Origins of Jeffersonian Democracy*, 115.

[3] King's letter, quoted above, indicates that Duer was not a heavy sufferer.

[4] See the charts, *supra*, 187, and *infra*, 210.

[5] Jefferson, *Works* (Washington ed.), iii, 267.

[6] *Hamilton Papers*, xvi, 126–127.

Jefferson wrote to Rutledge from Philadelphia August 25:[1]

> "Ships are lying idle at the wharves, buildings are stopped, capitals are withdrawn from commerce, manufactures, arts, and agriculture to be employed in gambling, and the tide of public prosperity almost unparalleled in any country is arrested in its course, and suppressed by the rage of getting rich in one day. . . ."

Seth Johnson, a New York merchant intimately associated with Andrew Craigie, wrote on August 20 of the recent rise, "so sudden, & so much beyond the expectations even of the most sanguine," and added a commentary which well expresses the chief economic indictment of stock speculation. He says:[2]

> " . . . you ask why I think the late, or present rage, will tend to much evil, or to the injury of the National Bank? — The best support & Surest resource of a nation is in the industry & frugality of its Citizens — whatever in any way tends to lessen or destroy those usefull habits must be considered highly prejudicial — The present rage for Speculation by producing in some, a sudden & great acquisition of wealth, allures others, of all ranks, from those regular habits of business thro' which, the acquirement of property tho' slow is Certain, to engage in what, like gaming depends on chance — They feel all the anxiety & eagerness attendant on deep play — Those who gain, play in hope of more, those who lose, continue in hope of better fortune — Their industry is not only destroyed by their thus neglecting their proper business, but many are rendered unhappy & discontented — Shall I continue, says an industrious Tradesman in the drudgery of daily & laborious attention to an employment which gains me but a few dollars, whil my neighbor in one Evening, or with a dash of his pen acquires thousands — Ideas of this kind being disseminated amongst the various Classes of people become subversive of private industry, happiness, & œconomy, & of Consequence injurious to the public welfare."

The private letters and certain newspapers[3] of the day are full of the "scripomania," "scrippomony," "scripophobia," "stock-jobbing." Law's Mississippi Scheme in France and the South Sea Bubble in England were freely cited as awful parallels.[4]

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[1] Jefferson, *Works*, iii, 285. Cf. also his other letters written about the same time.

[2] *Craigie Papers*, iii, 68.

[3] Jefferson complains in the Rutledge letter quoted: "nothing can exceed the public felicity, if our papers are to be believed, because our papers are under the orders of our scripmen." Freneau's *National Gazette* was not published till October, 1791.

[4] See esp. *N. Y. Journal*, August 10, 13, 17, 20.

Some efforts were made to check the tide of speculation. During the debates on the funding act, early in 1790, the suggestion was made that transfers of the debt be prevented or hindered, because of the danger of having capital diverted into speculative channels. But the holders, while acknowledging the danger, thought the cure worse than the disease, and agreed that "If you will not permit your creditor to transfer his debt, you deprive the Commonwealth of a great part of her credit and capital."[1] In January, 1792, a bill was before the Pennsylvania assembly to levy a prohibitive tax of one per cent on auction sales and prohibiting, with a ten per cent penalty, dealing in futures. "Customer," however, discussing the bill, wrote for the *American Daily Advertiser* January 11:

> "Whether it be good policy for the legislature of this state to prohibit the dealing in funds, whilst others give to their citizens every encouragement to do so, is a matter of great doubt. The immense capital gained by the citizens of New York, by their avidity in dealing therein, is a strong argument against this policy; and, until they thus increased their capital by the large sales to foreigners, New York was inferior in commerce to Philadelphia, but now far exceeds us in her exports and imports. Owing to this capital, gained by this traffic, her citizens take the lead of ours in every valuable institution, and in some instances almost to our exclusion; witness the bank of the United States, the manufacturing-society, &c. It is in a great measure owing to this increase of capital, that her lands are daily growing in value, whilst ours remain stationary and declining."

Neither measure was adopted; and it was not till the panic of 1792 that any restrictive measures obtained favor.

The August flurry afforded only a very brief check. No large dealers were seriously affected and few failures occurred. King wrote Hamilton, when prices had nearly touched bottom:[2]

> "So far as I am informed, the loss will be divided among a great number of individuals, and where it is heaviest, the sufferers will generally be characters to neither excite nor deserve commiseration — the Fall having been hitherto gradual, the most timid have had an opportunity to retire with something less money, & much more wisdom, than they brought into the market."

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[1] Elias Boudinot, Jan. 28, 1790: *Annals of Congress*, ii, 1100–1101.

[2] Letter of August 15, quoted above.

Indeed the slightness of the drop merely whetted the appetites of the speculators. As shown by the accompanying chart, prices of public securities recovered late in August to 21s. 3d., 12s. 5d., 13s., to be followed again by a gradual fall to low prices of 20s. 6d., 11s. 3d., 12s. 2–3d. early in October. Again in September the Secretary of the Treasury authorized purchases, and some were made in three per cents and deferred, and again serious consequences were averted.[1]

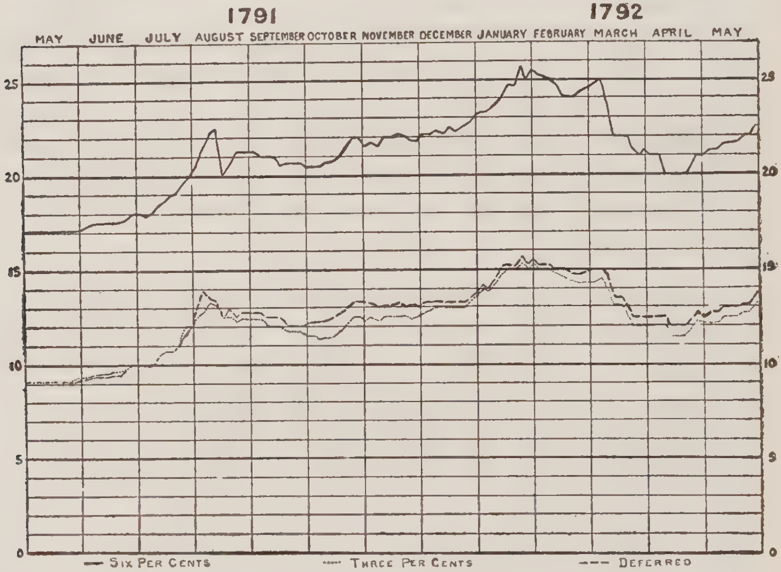

Fig. 2. Philadelphia Semi-Weekly Quotations of United States Funded Securities, 1791–92. (Par, 20 shillings.)

Based upon the table in *American State Papers, Finance*, i, 231, which is compiled from the *Gazette of the U. S.*, though giving highest prices only where a range appears in the original. The chart illustrates especially the boom of 1791–92 and the reactions of August and September, 1791, and March and April, 1792.

Within a short time, as shown opposite, bank scrip too recovered, but it ranged much lower during most of September and October. Late in October it enjoyed a sudden but temporary rise. It did not, however, fall below 130, and at that sold at over four hundred per cent advance on the initial payment of $25.[2] Late in December it rose again to above 150.

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[1] *Amer. State Papers, Finance*, i, 210.

[2] Cf. *Gazette of the U. S.*, August 20, 27; *Daily Advertiser*, August 22, 23.

One significant outcome of these midsummer troubles, however, was some sort of agreement among the stock dealers. The *New-York Journal* of September 14 says: "We have heard of numbers suffering greatly — many 'lame ducks have waddled out of the ally.' A seal of *speculative honor*, it is said, is now graduated by

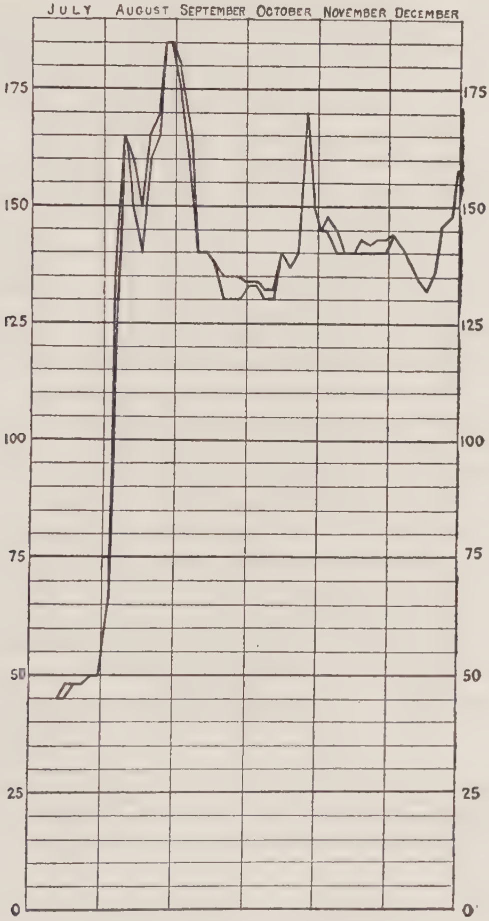

FIG. 3. PHILADELPHIA SEMI-WEEKLY QUOTATIONS, 1791, OF "SCRIP" OF THE BANK OF THE UNITED STATES, ISSUED AS RECEIPTS FOR THE INITIAL PAYMENT OF $25.

Figures are given in Appendix B. Because of the accidental selection of quotation days the curve does not reveal the extremes of fluctuations, in particular the very high prices of mid-August.

the high court of that very honorable body."[1] And a bit of ribald verse, contributed to this issue by "Old Stile," may be quoted as a shred of evidence on the subject:

THE SCRIPS LEGISLATURE, OR THE OLD SAW VERIFIED, OF,
HONOR AMONG THIEVES

"At Jonathan's, y' clept of late,
Where scrip-mongers of every rate,
From *Billy* [Duer?], of a thousand less-one
To him of humble half a dozen —
Have, for a moon, gull'd half the world,
And thousands to perdition hurl'd;
A puny Duckling quit the phalanx,
And left behind a *gentle balance* —
This roused the *honor* * of the *Co.*
And every bull and bear cry'd "ho!"
By shew of hands they fix'd this rule.
Henceforth a statute in their school,
That every duck that drops a feather,
Or strays an inch beyond his tether;
Or does what other birds would scorn,
Though on a dirty dunghill born,
Shall posted be, with horrid charcoal,
And stand eternal on the black-roll.
Which done, a Philadelphia blue,
Whom late they'd pluck'd from hat to shoe,
By honorable oath's of lies,
That script in York were on the rise,
Burst in a fury to'ards the wall,
And cry'd 'by heav'n here's post you all!'

* "The honor ment, is honor new-stile (i.e.) interest."

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[1] Cf. also advertisement of Simon Nathan and Alexander Zunty in the *Daily Advertiser*, Nov. 18, 1791.

CHAPTER V

THE SCIOTO DEBACLE, 1789–92

IN the midst of these fascinating activities the Scioto enterprise was not lost to mind. Barlow found financiers unresponsive to the possibility of exchanging speculative American securities for speculative American lands, especially as the securities were fluctuating upwards. After ten delightful but exasperatingly fruitless months his mission was no nearer a conclusion than upon his arrival; his expenses had been some £500 sterling; he could not get advice or instructions from America; and he was about to return to America acknowledging utter failure. At this critical juncture a Yankee acquaintance (Colonel Blackden of Massachusetts, himself on a land-selling mission) introduced Barlow to William Playfair,[1] an English engineer-author-adventurer, who was in Paris alert for a business opportunity. Barlow was greatly attracted to Playfair, his experience with French ways and customs, his perfect command of the language, his "bold and enterprising spirit," his "good imagination." Together they concocted plans and launched the enterprise in the summer of 1789.[2]

In July, 1789, Barlow assigned to Playfair one share in the Scioto contract in return for his prospective services. On August 3 they formed the *Compagnie du Scioto*, with a capital of eight thousand 1000-livre shares and a membership consisting of themselves, two Paris merchants, and four prominent French subjects or officials. With this company Barlow, acting as agent for the American associates, concluded on November 3 a contract of sale for three million acres — the bulk of the tract at his disposal — at a price of six livres tournois per acre (five livres five sols to the silver American dollar), payable in instalments running from Dec. 21, 1789, to April 30, 1794, in coin or in United

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[1] See *Dictionary of National Biography*, xlv, 414–415.

[2] Belote, *Scioto Speculation*, 23–24; Hulbert, *Scioto Group*, 24–25.

States securities at ninety per cent. Possession was to be given as soon as payments were made, in proportional amounts, and the company was entitled to resell before paying the instalments upon giving as security the agreements of the under-purchasers; and the act of formation provided that, as soon as the contract of sale was signed, measures should be taken to put into possession of lands those shareholders of the new company who desired them at once. Barlow, Playfair, and a French lawyer — Chais de Soissons — were made attorneys of this company for the resale of the lands and otherwise to act in its interest. Playfair was entrusted with keeping a register of control over the company's funds, and M. Seline, a Paris banker, was made cashier. The company, in short, was to act as jobber and retailer, enjoying the advantage of local connections.[1] "The object of the company," wrote Barlow on November 29, ". . . is an immediate settlement, by the sale of portions to individuals and by sending cultivators in the service of the company. This they expect will raise the reputation of the lands to such a degree that they will sell them all off in the course of one year at a great profit." [2] These, too, in short, were speculators. With this in view the company published a glowing "Prospectus pour l'établissement sur les rivières d'Ohio et de Scioto en Amérique," with the double object of selling the shares in the Compagnie and interesting others in purchasing the lands for purposes of speculation or settlement. This drew largely on the roseate pamphlet which Cutler had published in America in the fall of 1787, and included two rough maps intended to show the location of the tracts for sale, — maps which could not be made accurate and which were, whether intentionally or not, seriously misleading.[3] Other means of bringing the project to the attention of the public were resorted to with practised hands, the cupidity of an excitable nation was intelligently aroused, and the outcome was a veritable flood of public enthusiasm for the speculation.[1] Barlow was suddenly raised from the depths of despair to the heights of enthusiasm. He reckoned the net profits to the American associates at $1,200,000; he saw good prospect of inducing the French government to exchange its American bonds for shares in the new Compagnie; he looked forward to completing the sale of the entire tract within ten months.[2] "The present circumstances of the kingdom are favorable," he wrote on November 29, "the object is popular, many portions are already sold, and the people are preparing to embark in January."[3]

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[1] See Belote, *Scioto Speculation*, 24–28, in which further details and ample references appear. Belote prints a translation of the Bill of Sale, 68–70. There is no evidence of participation by the Clavière-Brissot group.

[2] Quoted by Belote, *ibid.*, 75–76.

[3] Belote reproduces these maps and summarizes the prospectus, in *ibid.*, 29–35, 82. Cf. comment by Porter to Craigie, May 14, 1790, in *Craigie Papers*, ii, 147, and Winsor, *Westward Movement*, 311–313.

It does not appear that the New Yorkers who had despatched Barlow thought of his forming a company of his own; rather it seems probable that they expected him to contract for the sale of the lands with various large purchasers, individuals and companies, without assuming any responsibility for or interest in further sales which these might make. Yet it is clear that the expedient to which Barlow resorted was quite within his plenary powers as agent, and it is fair to assume that he found the other methods impossible to adopt, though it is by no means clear that a more capable business agent would have followed the course which Barlow did. The first impression made on the American associates by Barlow's news was one of satisfaction. Craigie wrote Nalbro Frazier March 11, 1790: "Our Land Business has succeeded beyond all Expectations;"[4] and on April 10 Craigie wrote Barlow intimating that he might be entrusted with the disposal in Europe of part of the Gorham-Phelps purchase, and expressed the hope "with prudent management that the Business which you have so well begun will be happily concluded."[5] Putnam, indeed, shook his head over the selling of land in small quantities,[6] and Duer was not satisfied with the explicitness of Barlow's information; but neither saw reason at once to criticise Barlow's device, and it was apparently accepted as a reasonable one.

[1] Belote, *Scioto Speculation*, 32–33; Carré, *Les Émigrés Français*, 318–320.

[2] Cutler, *Manasseh Cutler*, i, 501.

[3] Quoted in Belote, *Scioto Speculation*, 75.

[4] *Craigie Papers*, i, 52.

[5] *Ibid.*, i, 55.

[6] See his letter to Duer, January, 1791, quoted in Cutler, *Manasseh Cutler*, i, 509 n.

In one important particular, however, Barlow did exceed his powers. According to the Treasury contract, the Scioto associates were not entitled to possession, much less to give possession, of the lands they preëmpted, until the lands had been paid for. Yet the associates counted on raising the funds for these payments from those who purchased from them (except as loans on security of the lands might be made). For the time they had themselves only an option to purchase and could not pass a valid title. This was doubtless understood clearly by the inner group in Paris and probably by the more intelligent under-purchasers, and at the office for sales Barlow's papers were on exhibition along with a certificate from Jefferson, the American minister, testifying to Barlow's character and Duer's wealth. Yet the fact was unquestionably glossed over as a mere detail. The "deeds" of sale purported to convey "all the right, title, claim, and demand of said Society . . . in said lands sold by these presents, giving up to and for the use of said —— all its rights to the full and peaceable possession of the same when and how he may choose;" and by a warranty clause the attorneys "promise to guarantee against every kind of eviction or attack." Most purchasers undoubtedly regarded the deeds as a final passage of a clear title to the lands.[1]

Had the purchasers been able and willing to pay promptly, all might have been well, for Congress could also have been paid promptly; even so, close financing would have been required. But the Paris attorneys found it necessary not to demand full payment in advance. Barlow fully realized that the Paris contract entailed the necessity of an alteration in the contract with Congress, and sent over a draft of a petition urging a modification in its terms. After reciting the original terms, the suggested memorial runs:

> "they [the American purchasers] must give possession . . . before they can be paid; an advance therefore on their part would be necessary of so large a sum which advance they are unable to make for that operation not having foreseen the necessity of it when the contract was [entered] into at which time they expected it might be possible to sell the lands with sufficient Rapidity or in sufficiently large Portions to be Enabled to Make such Pay-

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[1] Cutler, *Manasseh Cutler*, i, 502–503.

> ments without advancing the *whole* on their own part. The Purchasers with this view sent over an Agent to Europe to treat for the sale of these lands he has in part succeeded but is obliged to sell them in such small quantities & to promise possession at so Early a Period that the Company in America which treated for the lands after having been at a great Expense in beginning to people these Lands lies itself under a necessity of abandoning with great loss their Plan [sic] of abandoning a Colony which they have begun & which promises to be a very flourishing one but what is still worse of abandoning it before the Eyes of all Europe [which] are fixed on that Establishment unless it will please the Congress to grant the following Request."

The alterations urged were (1) an extension of [blank] months in the time of payment; (2) instructions to the Board of Treasury to give deeds for separate portions if paid for at one dollar per acre, to be reduced to seventy-five cents when $500,000 should be paid; (3) to accept mortgages of 2s. 6d. per acre on lands disposed of until one dollar per acre should be paid, these mortgage obligations to be paid in specie within six months after the issue of patents.[1] Barlow sent this petition on to Duer in November, in his first letter announcing the completion of the Paris contract, and earnestly and confidently urged him to use his influence to see it carried through. In his next letter he wrote:[2]

> "The object . . . is . . . in my opinion indispensable. . . . It is the only possible means of bringing a mere pre-emption into that shape in which it could be fairly offered for certain sale. It is absolutely necessary to us, it is the only reliance that the first purchasers of portions can have for their titles. The Secretary of Finance will certainly see the interests of the United States in making that arrangement, as it is their object to sink their debt by the sale of lands, as they are perfectly secure in this case as in the other, as it gives us the means of succeeding in the whole operation, and as the success of this will be followed by other sales to the extinguishment of a great part of the debt."

He called upon Duer to supplement his political efforts by financial ones if necessary:

> "it is possible that their first payment will not be made to us in season for us to make ours to Congress before the people will arrive; should the people not be put in possession of their small purchases on their arrival, we are ruined. It will be but a few acres, I imagine not above five thousand, that

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[1] This letter and the draft of the petition are in the *Scioto Papers*. Cf. also *Gallipolis Papers*, iii, 109.

[2] Quoted in Belote, *Scioto Speculation*, 76.

> those who shall arrive by the first ship shall have purchased. The secretary can run no risk by allowing them to take possession of so small a portion before it is paid for, as he can not suppose we would sacrifice the advantage of all our contract for the sake of cheating Congress out of so small a sum. But if no other means will do, you must make a deposit of five or ten thousand dollars to get possession of such a number of acres opposite the mouth of the Great Kanawha to be afterwards recovered towards our contract."

Barlow was well aware of certain risks that he was running. Much depended on the assuring of valid titles to the first comers. Much also depended on the impressions they should receive. He wrote Duer November 29:

> "it can not be too much insisted on that the success of their [the company's] sale of acres here, consequently their payment to us, will depend almost entirely on the accounts written back by the first people that arrive. It is an immense undertaking to the poor creatures who adventure in it. . . . they . . . trust their lives and fortunes to the representations that I make to them. The confidence is slight; it will be strengthened or destroyed in the minds of those who are still to be engaged, by testimony of those who first arrive. If the first one hundred persons find things easy and agreeable as it is within our power to make them with a little attention, a great stream of emigration will be irresistible. Twenty thousand people will be on the lands in eighteen months and our payments will be made in twelve."

Again December 29 he wrote Duer:

> "Many reputable and wealthy families will go out for the Scioto in a short time. Should the first people find themselves happy I have no doubt but they would be followed in a few years by half a million other adventurers. The idea is new in France; it was exceedingly difficult to set it going, but there are causes which may extend it almost beyond calculation."[1]

There is no reason to charge Barlow with exaggeration on this matter. Chevalier Duportail and Colonel Gouvion, of the French engineers who had served in America, wrote in the same vein to General (now Governor) St. Clair by the first shipload of settlers.[2] Various documents attest the enthusiasm and magnificent plans of the French émigrés.[3] Far from injuring the prospects of the Scioto Company, the French Revolution now in

[1] Belote, *Scioto Speculation*, 75–77; quoted also, more exactly, in Todd, *Joel Barlow*, 74–75. Cf. similar words in Barlow's letter to his wife, Jan. 1, 1790, in the *Barlow Papers*.

[2] *St. Clair Papers*, ii, 152–153.

[3] Cf. Carré, *Les Émigrés Français*, 312, 314–320, 325–326; *Craigie Papers*, ii, 143. There are also some documents in the *Duer Papers*.

progress seemed likely to be the making of it, by stimulating many of her able men to emigrate.

Accordingly Barlow wrote "in the strongest terms possible" both to Duer and to Putnam, Tupper, Sargent, and others in the west, urging the early ascertaining of the boundaries, the building beforehand of huts and ovens to accommodate at least a hundred persons opposite the mouth of the Great Kanawha, and the sending of "a person of activity from their settlement to Alexandria to make all the preparations on the route and at the fort for their reception and journey to the Scioto, and to wait at Alexandria to conduct them."[1] He urged Duer to "enforce by your authority without delay" the representations respecting their duty which Barlow had written direct to "the gentlemen at Muskingum":

> "Do, my friend, exercise your rapid imagination [sic] for a moment in writing to those gentlemen — the subject lies with weight on my mind; it is, though small, one of the most essential services that now remain to be done. Whenever you shall know the complication of difficulties I have struggled with in bringing the unwieldy business thus far, you will excuse the warmth of my entreaties, and believe that they are founded on the maturest reflections, as well as on the most ardent desire to serve the interests of the concern."[2]

To Flint also Barlow wrote December 8:[3]

> "If it should be too late for them [Tupper, Parsons, Sargent, or Putnam at Muskingum] . . . to make the arrangement, I have mentioned relative to Alexandria do write or procure some one to write to some man of business in Alex^{a}. to grant every assistance to the emigrants when they arrive — the reward will be certain & you may promise it with safety."

Barlow had gone even further in committing his principals. A large part of the sales had been made to a group called the *Société des Vingt-Quatres*, composed of twenty-four well-to-do capitalists, noblemen, officials, visionaries, each of whom bought one thousand acres.[4] This was the sort of deal which the

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[1] See esp. Barlow to Duer, Nov. 29, 1789, printed in Belote, *Scioto Speculation*, 75; also Barlow's letters to St. Clair, in *St. Clair Papers*, ii, 154.

[2] Belote, *Scioto Speculation*, 76; quoted also in Todd, *Joel Barlow*, 74–75.

[3] Copy in *Craigie Papers*, ii, 42.

[4] The list of members is in *Gallipolis Papers*, iii, A, 284, and the articles of the company in *ibid.*, 172. Carré, *Les Émigrés Français*, 313 n, mentions seventeen,

Americans had had in mind, and Barlow made a special elaborate agreement with "the Twenty-four," among other things binding the American company to furnish, at reasonable prices, transportation west, supplies en route and at the settlement, and workmen for clearing and surveying lands, building houses, and even providing game.[1] Furthermore, Barlow wrote Jan. 1, 1790, to Bourogne, the agent who went out with the first shipload, relative to the other independent emigrants:[2]

> "You are requested to inform the Gentlemen proprietors of land who go under your care to the Scioto and who embark in the first ship, that in consideration of their patience and good conduct since their departure from Paris, and an as inducement to them to persevere in so generous and glorious an enterprise, I give and grant to each of them a house lot within the city to be laid out opposite the mouth of the Great Kanawha River, and a right in the city commons, which house-lots shall be contiguous to each other, laid in two squares near the center of the city, which two squares shall be called by the following names, *premier coup* and *trenne*, or such other names as you may think more suitable to the circumstances. Send me a list of these proprietors' names before you leave Havre, and I will forward their deeds by the agent in chief. . . ."

Whether by Barlow or others, many were assured "that everything would be found them & their expence paid to the settlement — *That 20 livres only* would be the expence of travelling, for one person!"[3] In some instances also, the Paris agents took money from emigrants for their passage from Alexandria to the Scioto country.[4]

Naturally Barlow was most eager not to have his delicate plans miscarry. He said frankly to Duer in his letter of November 29:

> "although my contract, in the letter of it, does not depend on the success of this or any other enterprise, yet in such great affairs no remedy can be had for any breach that a company may make either from choice or necessity. The only assurance against a violation of their engagements is never to suffer them to conceive it for their interest to violate them. For this purpose the utmost prudence and energy are necessary on both sides the water."[5]

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and Cutler, *Manasseh Cutler*, i, 503, all but one of the others. Cf. also Belote, *Scioto Speculation*, 46, 63–64.

[1] Cutler, *Manasseh Cutler*, i, 503–505, reprinting the agreements.

[2] Belote, *Scioto Speculation*, 78.

[3] Porter to Craigie, May 14, 1790, in *Craigie Papers*, ii, 147.

[4] Porter to Craigie, July 19, 1790, in *ibid.*, ii, 156; Belote, *Scioto Speculation*, 50–51.

[5] *Ibid.*, 75.

On Jan. 15, 1790, he wrote Duer frantically:[1]

> "Don't for God's sake fail to raise money enough to put the people in possession — make any sacrifice rather than fail in this essential object. If it fails we are ruined. All our fortunes and my character will be buried in the ruins. I know I have run a risk in suffering the people to go till I could get possession, especially as I could get no information from you, but the risk was absolutely necessary, and the proposition to the Secretary of Finance which I have often mentioned is so reasonable that it can not be rejected. Tell him that twenty millions of acres may be sold here in two years after it is known that these people are quietly in possession of their lands. You can certainly among all your Connexions raise one or two hundred thousand dollars for a few months."

Throughout his stay abroad Barlow worked under great difficulties because of unsatisfactory communication with the associates in America. Evidently Duer, the responsible American manager, was from the first strangely negligent of him. On Nov. 29, 1789, Barlow wrote Duer sadly: "I can think of no argument in addition to those I have formerly used to induce you to write to me; my reflections on that subject are painful beyond description."[2] A month later he wrote more emphatically:

> "I have not yet received any letter nor any necessary information since I have left you. It is not my personal feelings alone which are affected by this circumstance. The business has required that I should know the situation and intentions of the concern, the progress of the surveys, the disposition of the savages, and a thousand other things, that I might determine what measures to take and what promises I might safely make to facilitate the operations of the first settlement.
>
> "Besides, it is difficult for me to keep this circumstance from being known, so as to endanger the confidence that People of all classes ought to have in my representations. For what confidence would you place in a stranger who should pretend to be the agent of a company which has totally neglected him for over two years?"[3]

On Dec. 8, 1789, Barlow wrote Flint, enclosing a letter to be sent to General Tupper on the Muskingum:

> "I wrote you last week to see a letter which I wrote to Duer, to stimulate him relative to the subject of it, & to write me yourself an answer, which I suppose he will not do. I fear much that our business will suffer for want of attention on your side of the water. I am sure you will prevent

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[1] Belote, *Scioto Speculation*, 78.

[2] Quoted in *ibid.*, 77.

[3] Quoted in *ibid.*, 77. Here is a slight exaggeration, since Barlow left America in May, 1788, and this letter is dated Dec. 29, 1789.

it if possible — I send by this conveyance a duplicate of my last letter to Duer. dont let him know that you have read Tuppers letter."[1]

In his January 1 letter to Mrs. Barlow he referred to "my careless & insensible associates at home." Craigie frankly acknowledges in a letter to Barlow written April 10, 1790, having "heard great & just complaints of the neglect with which you have been treated. . . ."[2] Writing his fellow-agent Walker, Oct. 19, 1791, Barlow said of Duer: "he scarcely ever complimented me with a letter & when he did, it seemed rather the dictate of cold contempt than of that confidence which is common to men who have mutual interests."[3] Duer's carelessness in this particular was clearly responsible for much of Barlow's discomfort and for some of his mistakes as well, and Barlow's burden of blame is considerably lightened by knowledge of the fault at Duer's door. The neglect is to be explained, though not excused, by Duer's absorption in his official duties and in stock dealings, as well as by his growing distaste for letter writing.

It must be said, however, that Barlow was not always careful to send him promptly precise copies of documents drawn in Paris relating to the company, such as the contract with the French society, the act of formation of that company, and the roseate prospectus; certain important details of his operations were not mentioned, such as the amount and control of funds received for the sale of lands.[4] Communications from him to the easterners finally became so inadequate that their Alexandria agent advised: "The best mode of gaining good information from Barlow is to open his letters to Genl Putnam, Sargent &c which I presume would not be improper, as it is to be Supposed Mr Barlow knows nobody to whom he might direct at Alexa —"[5]

Barlow was also unduly sanguine regarding the payment by the French society and definitely authorized drafts on him on the chance of having funds in time to meet them — by no means an uncommon business procedure of his day, but in this instance especially serious. The first two payments, of 1,500,000 livres each, were due in December, 1789, and April, 1790.[1] On Dec. 20, 1789, he authorized Duer to draw on him for 20,000 livres.[2] On January 25 he advised Duer: "The affair goes extremely well: it is true the payments are not made, but they certainly will be. The sales increase rapidly;" and authorized a 100,000-livres draft. He concluded: "I pledge the faith of an honest Man for the payment. If necessary draw on me at ninety days for a second hundred Thousand Livres — advise me of it at the earliest possible."[3] On January 1 he wrote Mrs. Barlow that payments were coming in slowly and referred to "an infinity of indefensible circumstances attendant on" the business; on January 2: "My business goes well;" on February 1: "I am in the highest train of success."[4] And he never cancelled any of his authorizations.

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[1] A copy is in the *Craigie Papers*, ii, 42.

[2] *Ibid.*, i, 55.

[3] *Barlow Papers*.

[4] Duer to Putnam, cited in Cutler, *Manasseh Cutler*, i, 518.

[5] Porter to Craigie, Aug. 16, 1790: *Craigie Papers*, ii, 159.

If Duer was culpably negligent in keeping in touch with Barlow he paid dearly for his fault. He had not counted upon furnishing credit to the purchasers of the lands; indeed the whole scheme of the enterprise was that the associates should pay Congress with funds secured from under-purchasers, except in so far as it should be possible to raise funds by loan. He had not counted upon assuming responsibility for the establishment of a new settlement or the personal conduct of hundreds of emigrants. He had undertaken merely to sell lands. Barlow's action, however, practically forced him to accept both responsibilities. Furthermore, it appeared from later advices from Barlow that most of the lands Barlow had agreed to sell lay opposite the Great Kanawha, which surveys proved to be within the grant of the Ohio Company, not in that of the Scioto group. Brought face to face with this situation and notified that the emigrants were on their way, Duer took steps, probably with considerable irritation, to meet his agent's expectations and those of the oncoming emigrants.

The proposed petition was not presented to Congress, but, possibly by the aid of Duer's influence, the recommendation was inserted in Hamilton's Report on Public Credit submitted to Congress on Jan. 14, 1790, urging in connection with the funding operations the reduction of the price of public lands to twenty cents per acre, in government certificates or coin, in view of the great appreciation in the public stocks.[1] The expectation of favorable action on this recommendation, which bade fair to solve the financial difficulties of both the Ohio and the Scioto companies, led to the shelving of Barlow's petition; but Duer doubtless seconded strongly the efforts of Manasseh Cutler to obtain a reduction of the price to be given for the lands.[2] One cannot but comment, in passing, upon the ingenuity of the land purchasers who would urge the appreciation of the public securities as one reason for making a land grant for which those securities should be received in payment, and then when the appreciation had taken place (though not solely for this cause) would urge a reduction in price of the lands corresponding to or exceeding the extent of that appreciation. For some reason, however, whether because Duer's hand had lost its cunning, or because the new national Congress was less easy to swing than that of the old confederation, or because more pressing business engaged its attention, no action was taken on this part of Hamilton's recommendation, and the object about which Cutler was so sanguine was not accomplished. It was just at this juncture, it will be recalled, that Duer resigned his office under Hamilton, perhaps partly to have greater freedom of hand and tongue.

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[1] Belote, *Scioto Speculation*, 69.

[2] Duer's letter of April 21, 1791 (in the *Scioto Papers*) refers to this.

[3] Quoted in Belote, *Scioto Speculation*, 78.

[4] *Barlow Papers*, Nos. 31, 32, 33.

On Feb. 27, 1790, the Scioto Company, including General Putnam and Manasseh Cutler, met at Colonel Duer's. Barlow's letters (including probably that of January 25) and other documents were displayed, and the affairs of both companies were no doubt discussed at length. Pending the completion of negotiations with Congress no final action was taken, but within two months several important moves were made.

On April 23 a contract was made with the Ohio Company directors[3] by which the Scioto group secured the former company's claim to the lands opposite the Great Kanawha which Barlow had "sold" in France. This was accomplished by the purchase of one hundred and forty-eight shares in the Ohio Company which had been forfeited for non-payment, representing nearly two hundred thousand acres, in consideration of (1) the release to the Ohio Company of the Scioto Company's right of preëmption to lands north of the Ohio Company grant (a million acres or so), (2) $10 per share in specie, for which sixty- and ninety-day notes were given, (3) $8880 in indents of interest, payable in six months, and (4) a balance equal to the price at which Congress finally should prescribe, payable when the Ohio Company should make its final settlement with the Treasury. Doubtless the political aid of Duer and his friends was an implied consideration of no mean importance. Clearly the contract promised well for both companies.[1]

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[1] Hamilton, *Works*, iii, 25–26.

[2] Cutler, *Manasseh Cutler*, i, 461, 508. Cf. the petition later presented to Congress, dated March 2, 1792, in *ibid.*, i, 471–477.

[3] The contract was signed by Craigie, Flint, and Duer as trustees for the Scioto associates.

Now that the conclusion of the business seemed in sight, a trust was formed by the Scioto associates on April 20 with Duer, Flint, and Craigie as joint trustees, empowered to execute this contract for the sale of the lands, to receive and apply the remittances of purchase money, and to divide the profits.[2] Duer remained, however, "superintendent of the concerns of the proprietors," and except in formal matters, or in situations where he wished to keep out of sight, he continued to run the business.[3] The precise significance of this trusteeship is not clear. It was not intended to lay the trustees under personal obligations. "This," Flint wrote General Putnam May 26, 1792,

> "was your opinion which you fully expressed to Mr Craigie & me just after the contract was signed. . . . You may recollect that on the evening we signed the contract at Mr Craigies lodgings he objected to put his signature till he had taken counsel to ascertain how far he would be personally bound by that instrument. You mentioned that you was in haste to leave the City, but that no advantage should be taken if we signed the contract that evening — as you considered us only bound in case we received money

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[1] Cutler, *Manasseh Cutler*, i, 508–511; Dawes, *Scioto Purchase*, 474; Putnam, *Memoirs*, 110. The contract had been virtually arranged some time before: cf. Craigie to Barlow, April 10, 1790, in *Craigie Papers*, i, 55.

[2] Dawes, *Scioto Purchase*, 473–475.

[3] Cf. esp. Craigie's letters to Porter, as referred to *infra*, 232–233 n; Cutler, *Manasseh Cutler*, i, 513; and *infra*, 231–234.

> for the sale of the lands — and that our personal property should not, & ought not to be liable."[1]

It was not intended to shift the job of managing to a committee. It was probably desired by the Ohio Company leaders in order to have a somewhat more formal location of responsibility for funds received than if Duer should alone act for the Scioto Company.

General Putnam was appointed agent of the Scioto trustees to represent the one hundred and forty-eight shares of the Ohio Company, to take charge of the lands they represented, and to prepare for the reception of the emigrants,[2] who were, unhappily for themselves, but perhaps happily for the associates, slow in coming. Maj. John Burnham "was engaged to rais 50 men to erect Cabbins for the emigrants," at Chickamauga or Gallipolis, and these arrived and began work in June. Maj. Isaac Guion, a well-proved Revolutionary officer, was ordered to Alexandria, and on March 9 Duer sent him characteristic instructions as follows:[3]

> "The object of your going to Alexandria is to meet a number of People expected very soon, if they have not already arrived from France, who have purchased lands in the western country of Joel Barlow, Esqr., agent for the Scioto Company — these people have a Superintendent or agent with them to whom you will make yourself and business known; but in doing this some address will be necessary, because it will be improper that your business should be known to any other person, or that you have knowledge of Mr. Barlow or his agency in Europe — When you have made up your acquaintance with the principal person among these people, you will inform him that in consequence of letters received from Mr. Barlow, Mr. John Vanleer, at Red Stone on the Monongahela, has received orders from General Putnam to provide boats and provisions, and that a number of good laborers will be ready to go down and assist them in their operations through the summer, and everything is put in train to make their circumstances as agreeable as possible — that General Putnam who conducted the first settlers at Muskingum and is well acquainted in the country will be at Alexandria as soon as the roads are sufficiently dry to cross the mountains — which it is presumed will not be till the end of April — in the meantime it will be

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[1] *Craigie Papers*, ii, 39.

[2] These arrangements were brought to completion early in May. Flint writes Craigie May 6: "General Putnam will be at M^r Duers at 6 oClock when all our instruments will be completed": *ibid.*, ii, 27. Cf. Cutler, *Manasseh Cutler*, i, 511.

[3] Belote, *Scioto Speculation*, 79–80.

best they should remain at Alexandria unless on enquiry you find they can be better accommodated at Winchester or some other Country Town on the road to Red Stone; they will have no occasion to lay in any stock of provisions to carry them on except for a few days at a time, as they may be easily provided on the road, and in the neighborhood at Red Stone and below any quantity of Flour, Pork, and whiskey may be procured very cheap.

"You will advise their agent that it will be best their connection with Mr. Barlow and real destination should not be known to the people of Virginia till General Putnam arrives or you hear further from me; but that they should give out that they are bound to Muskingum where they expect such information as will enable them to fix on some particular place for settlement. You will befriend them in procuring accommodations and temporary supplies in such manner as will prevent their being imposed on from being strangers in the country and not speaking the language.

"It will also be necessary that you ascertain as far as possible the best route to Red Stone, the price of waggonage and where they can be best procured. On your arrival at Alexandria you will write me immediately whether any of those people are arrived or not, and you will keep me informed of everything respecting them or any others coming out that shall come to your knowledge."

It is not clear, however, that Guion went at this time or that he took steps to carry out these instructions.

A few days earlier "16 or 18 French Men arrived in Philadelphia from Havre de Grace, being part of a company which were embarking at that same port for Alexandria." On March 11, as soon as one of the party (Trenet) reached New York, Col. David S. Franks, another tried soldier, was despatched "to collect & place them in an eligible situation till they can be put on the way to the Western Territory;" and Craigie wrote to a fellow-member of the Scioto Company in Philadelphia — John Holker, formerly agent for supplying the French navy in America — suggesting that he "see Col Franks & the people & give them good advice & encouragement." These also were urged to a policy of secrecy. Said Craigie to Holker:

> "It is to be wished that every Thing be kept at present as quiet as possible — because should it be immediately publickly known great injury will be incurred in the arrangements we are making with the Congress. — I pray you to keep this Letter to yourself. . . . each of the settlers have a book & Map of the Land it will be well for you to get possession of them & hold them for the present — this is of importance as otherwise impertinent people may get them."[1]

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[1] March 11, 1790, in *Craigie Papers*, i, 50.

Aided by one Boudit, who spoke French, Franks performed his mission in the main successfully and by March 26 had most of the party lodged in Alexandria. He had found the task unexpectedly difficult: disputes within the ranks had to be reconciled; bargains already struck with master tradesmen had to be cancelled, with the aid of *douceurs;* boat transportation to Baltimore had to be got; encouragement was needed on the weary tramp over atrocious Maryland roads; above all, persuasion was necessary to keep faces turned away from the attractive towns of the east toward the grim western goal, for at Philadelphia, Baltimore, and Alexandria serious prejudices were imbibed from "several french Settlers, who are ever ready to pry into the Affairs of their Countrymen who come to America & officiously to give them their Advice & Counsel" — in this instance unfriendly to the west and speculators in general, and casting reflections on the fallacies of the prospectus and the exorbitant price paid for the lands. Franks could not help leaving "the Musician & the Saddler" in Philadelphia, and the "Gardeners" at Baltimore. Though close-mouthed himself, he found secrecy "a jest," for the prospectus had been disseminated and local Frenchmen freely consulted before he arrived, as well as afterwards. He could only console himself and his principals with the observation "that no Man, *to whom I hold myself accountable at New York* is known or even surmized, Mr Barlow's Name & Agency are also utterly unknown to the Public."[1]

Franks, though evidently engaged to meet the first settlers, was eager to get back to Philadelphia to press a claim before Congress (in which, indeed, he was desirous of Duer's influence).[2] Early in March Craigie had written to his friend and business associate, Thomas Porter, merchant of Alexandria, informally soliciting his aid in the business.[3] Porter, like Guion and Franks, was given to understand that General Putnam would soon be at Alexandria to take charge of the settlers and lead them to their western haven. Had the emigrants arrived late in March, therefore, their welcome would have been warm and perhaps adequate.

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[1] Franks to Craigie, Philadelphia, March 18, 1790, Alexandria, March 26, 1790, in *Craigie Papers*, iii, 27–28.

[2] See esp. Franks to Craigie, March 26, 1790, in *ibid.*, iii, 28: "If the Secretary of the Treasury were engaged warmly in my behalf, I should almost be sure of success — the *Nameless Person* [clearly Duer] can effect that."

[3] Porter wrote Craigie March 18: "The Settlers are not arrived — I shall be on the Watch for them & assure yourself that nothing in my power will escape me,

As it happened, however, the packets were held up at Havre for favorable winds, and the first appears not to have left till late in February. Apparently the first to arrive was the *Patriot*, with two hundred aboard, landing May 3, seventy-four days from Havre, and the *Liberty* with one hundred and twenty arrived soon after a sixty-day passage.[1] By this time both Franks and Guion had left, if indeed Guion had been there at all; Putnam had not arrived; the leaders with the emigrants included none familiar with America; and practically the entire responsibility for seeing to the emigrants devolved on Porter, who had not seen the New York parties, had received no definite instructions and could get no letters from Craigie (who was ill), and had got into the business merely by way of doing a favor for a friend![2]

Meanwhile the few men who had come via Philadelphia were growing uneasy.[3] When at last the first shipload disembarked, matters became infinitely worse. Housing was got with difficulty. Provisions were scarce. Some fifty of the number were absolutely without money and had a contract with the French company (though Porter did not know it was not the American) "to be found board, lodging, & cloathing, according to the custom of the country," for three years. Others grumbled loudly at the necessity of spending the funds they had brought to stock up their holdings. The weary wait at Havre and the long disagreeable voyage had not bred good humor; the poor accommodations in Alexandria, the absence of an agent to meet them, the lack of attention to promises easily made in France, the delay in their

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that may tend to favor your views respecting them": *Craigie Papers*, ii, 141. Cf. Barlow's suggestion to Flint of December 8, quoted *supra*, 219.

[1] *Virginia Gazette and Alexandria Advertiser*, May 6, 1790; cf. Porter to Craigie, May 5, 7, 19, in *Craigie Papers*, ii, 143, 144, 149. I find no evidence of a ship arriving as early as May 1, as some authorities state.

[2] Boudit remained to aid him and share the criticism, as Porter wrote Craigie, May 24: *ibid.*, ii, 150.

[3] Porter to Craigie, April 28, in *ibid.*, ii, 142.

westward journey, and the "poisonous" tales and insinuations of their fellow-countrymen already in the United States led to bitter complaints.[1] More packets kept arriving with more settlers, till by August perhaps a thousand had arrived.[2]

The problem of managing these hundreds of Frenchmen was clearly a colossal one. They were a heterogeneous lot.[3] There were, in the first place, a few members of the Twenty-four, — the Marquis de Lezay-Marnésia, Count de Barth, Viscount de Malartic, MM. de Bourogne ("Super-cargo & Interpreter" for the first shipload[4] and son of Count de Barth) and Thiebaut, and Mme. de Leval.[5] These had purchased large tracts now totalling some seventy-eight thousand acres. There were a large number of small purchasers in fee simple, who had some forty-two thousand acres in lots of fifty to two hundred. In these two classes there were nobles, aristocrats, scientists, philosophers, visionaries, and in the second a large majority (nine-tenths, wrote Franks) were tradesmen. There was a third class of renters from the larger purchasers, and a fourth of servants indentured to them or to the French company, and among these were to be found the dregs of Paris, "of the worst cast — even taken from the prisons." Moreover, their original ideas regarding the new settlement were painfully out of accord with the grim realities awaiting them, as all Americans knew. Craigie, writing to Porter, adverted with annoyance to "the unreasonable Ideas which the settlers appear to entertain," and again: "I have no opinion of the French Settlers, they have not patience to encounter the difficulties of a New settlement."[1]

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[1] Porter to Craigie, May 5, 19, in *Craigie Papers*, ii, 143, 149.

[2] Franks wrote Craigie April 12, in *ibid.*, iii, 30, of a brig of Porter's just arrived from Havre, telling of the brig *Endeavor* nearly ready to sail about February 7, "with 100 of our People on Board." The brig *Mary* arrived early in June after a six weeks passage: *Boston Gazette*, July 5, 1790. Belote, *Scioto Speculation*, 47 n, names as the transports the *Recovery*, *Lady Washington*, *Nautilus*, *Pennsylvania*, and *Scarborough*, and cites the *Carlisle Gazette*, Nov. 3, 1790, as authority for the arrival of a shipload as late as October. Cf. also Porter to Craigie, May 19, in *Craigie Papers*, ii, 149; *Duponceau Letter Book B*, 47–48.

[3] Hulbert, *Andrew Craigie and the Scioto Associates*. For descriptions, see esp. *Duponceau Letter Book B*, 47–49, a copy of a petition later presented to Congress (see *infra*, 327); Carré, *Les Émigrés Français*, 319–320; Belote, *Scioto Speculation*, 46; Cutler, *Manasseh Cutler*, i, 505; and letters of Porter to Craigie, May 7, 1790, in *Craigie Papers*, ii, 146, and Franks to Duer, Sept. 11, 1790, in *Scioto Papers*. Further evidence appears in contemporary newspaper comments, e. g., *General Advertiser* (Philadelphia), Nov. 9, 18, 27, 1790.

[4] See Barlow's letter of Dec. 31, 1789, in *Barlow Papers*.

[5] *Duer Papers*, ii, 284.

The want of provisions was soon met, but the outlays by individuals on behalf of the company, the discontent and commotion, and Porter's troubles, all increased steadily. Some, even of the first arrivals, forthwith booked passage back to France,[2] bearing unfavorable reports of the "Scioto Company & the country in Gen^{l};" others secured employment in town and country, near and far. Rival landowners held out inducements to seek other homes and cried up their wares and cried down the Scioto.[3] Indignation meetings were held.[4] Letters were written to Congress and the administration seeking assurances of protection against the Indians, whose savagery and increasing hostility the emigrants first began to appreciate after reaching America.[5] Count de Barth, one of the aristocratic emigrants, was also eager for protection against the lower class emigrants of their own party.[6]

Certain of the leading men, including Barth, Lezay-Marnésia, Thiebaut, and Bourogne, went on to New York to look into the matters which were causing them anxiety.[7] Duer was characteristically urbane, introduced them into the best society, including that of the political leaders, exhibited relevant documents, and gave them this slightly inaccurate but amazingly frank statement of the "composition of the Scioto Company":

> "The Company known under the name of the Company of the Scioto was originally composed of thirty (30) shares, belonging to as many owners [?]. The persons who held these shares were for the most part those who had much influence in the formation of the Company of the Ohio at Marietta, or in the Legislative or Executive branches of the Government [sic]. The

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[1] Letters of June 18, Aug. 4, 1790, in *Craigie Papers*, i, 66, 72.

[2] Porter to Craigie, May 7, 14, 1790, in *ibid.*, ii, 144, 147. Belote also refers to the *Penna. Packet* for June 3, 1790.

[3] Carré, *Les Émigrés Français*, 331, mentions Alexander Jaste, of Dumfries-on-Potomac, who offered lands cheap in Virginia and Kentucky, with free "bâtiments d'exploitation." See also note in Belote, *Scioto Speculation*, 48.

[4] *Ibid.*, 49.

[5] *Ibid.;* also Porter to Craigie, May 5, 1790, in *Craigie Papers*, ii, 143.

[6] Porter to Craigie, May 7, 1790, in *ibid.*, ii, 146.

[7] *Ibid.*

> original shares have since been much subdivided, but the general management of the Company's affairs, as well in America as abroad, has been entirely trusted to myself alone, and I have for aid and counsel two Agents, who are Messrs. Royal Flint, and Andrew Craigie, both of this City."[1]

The President and the Secretary of War assured them of protection against the Indians.[2] Uncertainties regarding the titles were cleared up as well as might be, assurances were doubtless given regarding the westward journey, and on May 19 the Secretary of War wrote to the governor of the territory commending to his attention the French who would soon be under his jurisdiction.[3] Indeed it seems that Duer quite won them over, for the time.[4]

Porter did his level best, but for nearly a month he was practically alone in Alexandria to bear the responsibility. For a while he kept promising General Putnam's arrival, only to hear on May 14, to his great mortification, that Putnam had gone west direct from New York.[5] After that he confessed he could make no other answer to the din of complaints but "*Beef — Bread* & *Beer*." Finding no preparations made for the westward march and receiving no adequate response to his appeals to New York, he took steps to engage wagoners through William Armstrong, in Winchester, of whom he learned through friends, and himself laid out money and extended his credit to furnish provisions without charge to those who had no money.[6] Late in May he was joined at last by Franks and Guion, and a decision was soon reached to start the emigrants toward the Ohio, in several parties, stopping en route at Winchester, eighty miles inland, and elsewhere — apparently on the principle that the discontent would be dissipated by this method, certainly in fear that the arrival of another shipload of emigrants would intensify the disorder beyond control.[1] Early in June Porter and Franks joined in a request to the New Yorkers: "In order to keep these people quiet & to manage them more or less wine will be necessary — & simple Claret is not sufficient for our purpose, we therefore request you to Send us a Hogshead of the *best* port. . . ."[2] Not long after (June 18), in response to insistent demands of the emigrants, Franks, Porter, and the French consul at Alexandria signed an agreement with the emigrants whereby the board at Alexandria, at 2s. per day, was to be paid by the company; a representative commission of three was to decide what should constitute baggage to be transported, lest merchandise be secretly conveyed to the west for sale; an extra year was to be allowed for completing payment on the lands; an additional grant of lands was to be made to each purchaser, of a town lot and a four-acre lot outside, as indemnity for the delay; and a $500 present (in merchandise) was to be given the Indians by the company.[3]

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[1] Quoted, from what source does not appear, in Cutler, *Manasseh Cutler*, i, 513. The subordinate position of Craigie he himself bears witness to, in letters to Porter, June 18 and Aug. 4, 1790, in *Craigie Papers*, i, 66, 72.

[2] Belote, *Scioto Speculation*, 49. For Washington's earlier warm interest, see his letter of June 19, 1788, to Richard Henderson, printed in Pickell, *Potomac Company*, 151. Cf. Winsor, *Westward Movement*, 404.

[3] See St. Clair's letter to Knox, Nov. 26, 1790, in *St. Clair Papers*, ii, 195.

[4] See Porter to Craigie, May 24, acknowledging Craigie's of May 17, in *Craigie, Papers*, ii, 150. Cf. Flint to Craigie, May 25, urging him to call on "Some of Bologne's friends from Amboy" "at the City Tavern this morning": *ibid.*, ii, 30.

[5] Porter to Craigie, May 14, acknowledging Craigie's of May 6, in *ibid.*, ii, 148. Cf. Flint to Craigie, April 17: "General Putnam is anxious to be gone — He can tarry no longer . . . ;" and May 6: "General Putnam will be at Mr Duers at 6 oclock, when all our instruments will be completed": *ibid.*, ii, 26–27.

[6] Porter to Craigie, May 19, July 7, in *ibid.*, ii, 149, 155.

About this time Craigie wrote Porter a lengthy letter calculated to make clear his attitude toward the enterprise and his relation to it, which he referred to simply as "the Business of Col Duer respecting the Land." He advised Porter not to make engagements beyond the funds Duer should supply, that in case "the conduct of the settlers here & the irregularity of the Agents at Paris shall defeat" the object the loss might be limited. He said that he himself would act on this principle, that at present he held no interest in the concern, but only the promise of one, that he would resign his trusteeship "should the Business not go on well," and that he recognized no responsibility for any engagements Porter might make on its behalf. He urged Porter to discard any notion that he was acting as Craigie's agent. Yet he asserted: "I believe it notwithstanding a very profitable

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[1] Belote, *Scioto Speculation*, 49–50. The decision was reached before Putnam's advice to delay reaching the Scioto had been received; Putnam's letter to Duer and despatch of Backus were on May 28; Guion's letter to Duer reporting the announcement of the plan to depart is dated May 31.

[2] *Craigie Papers*, ii, 152. Cf. further Porter to Craigie, June 30, in *ibid.*, ii, 153. Craigie consulted Duer, who promised to send the port: *ibid.*, i, 66.

[3] Belote, *Scioto Speculation*, 50–51, citing *Gallipolis Papers*, iii, A, 114.

Concern & if no accident happens promising all the advantages which the most sanguine could wish;" and reported a letter received from Brissot in the May packet saying that "The Business of the Scioto Company in Paris goes on amazing well."[1] This intelligence was an eye-opener to Porter, as his letters of June 18 and 30 make abundantly clear; for, in default of specific instructions and at the mere request of his friend, he had earnestly set himself to the unwelcome task of serving to the utmost the interests of the shadowy company — a task he had pursued amid great difficulties, with the utmost embarrassment, only to find that he had been overzealous, that his efforts were unappreciated, and that his friend disavowed personal interest in the enterprise.[2]

Putnam meanwhile had reached the Ohio, and thence on May 28 he sent James Backus (one of the early Marietta settlers) to Alexandria to give aid, comfort, and information to the emigrants; but he wrote both to Duer and to Rochefontaine (whom he erroneously supposed in charge of the party), urging that the westward trip be postponed till September, when a new crop would be harvested, and he put up to Duer the problem of seeing the emigrants through the first winter with food.[3] This advice did not alter the decision to leave Alexandria, but it undoubtedly accounts for the long delay in reaching the west.

Backus, Guion, Putnam, and Porter among them made arrangements for wagons, for provisions en route, for accommodations at the stopping points, and for boats down the Ohio,[4] and the first party, one hundred and fifty in number, set out on June 29, a month after the decision to depart had been made.[5] On July 7 Porter wrote Craigie that "The Emigrants are all gone say, about 220—including Men, Women & Children"—indicating by the shrinkage that a very considerable percentage had definitely abandoned the Scioto undertaking.[1] The route lay over land to Winchester, where stops of greater or less length were made,[2] by land thence to Redstone or the mouth of Buffalo Creek (probably following the Braddock road), thence by boat down the Ohio. Wagons were provided for supplies and baggage and for the women, children, and disabled. Leaders for the parties were furnished. Supplies and boats were arranged for with care, if not invariably without delay. Efforts were made to have all things in readiness at the settlement, named Gallipolis by the Twenty-four, which was established opposite the mouth of the Great Kanawha. A store was opened there by Duer, and placed in charge of John Mathews, Putnam's nephew. There Duer's due-bills were issued in quantities and served in part as currency.[3]

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[1] *Craigie Papers*, i, 66. Could this final statement have been Craigie's prevarication or Brissot's? It seems clearly false.

[2] *Ibid.*, ii, 151, 153.

[3] Cutler, *Manasseh Cutler*, i, 511.

[4] Belote, *Scioto Speculation*, 51–52. Cf. Franks to Craigie, March 31, in *Craigie Papers*, iii, 29, relative to routes and rates for wagonage. Porter's letters in the fall indicate that he had made some arrangements with Armstrong of Winchester. Edward Fox may have acted on behalf of the company in Philadelphia: Fox to Craigie, May 18, 1790, in *Craigie Papers*, ii, 223.

[5] Porter to Craigie, June 30, in *ibid.*, ii, 153.

All of this entailed no mean cost in thought, effort, and money. Then, as in latter days, the capitalists were roundly accused of obtuseness to the needs and expectations of the settlers.[4] Judged by modern standards of efficiency, indeed, much was wanting. Delays were intentional, but no less distressing to the travellers. The summer was hot and sultry. Measured by the great expectations of the emigrants, conditions were pitifully hard. On the other hand, however, it is well to quote a contemporary writing in the *General Advertiser* of Dec. 3, 1790, who, though out of sympathy with the plan of selling lands to speculators, gave the company credit for dealing generously with the settlers.

"It is certain that they have paid for those lands rather too much; yet, if the Scioto Company goes to the same expence in accommodating future settlers as they have been at in supplying those already gone, with necessaries for a certain time — the price given cannot be considered as exorbitant and the profit to the Company will not turn out very great. Are there any persons, having land to sell, who would agree to transport each buyer, with 200 lb. of baggage, 700 miles up the country, and diet him on the journey for 25s. furnish him with provisions for the year, two cows, two horses, and a plough, with its appendages, for 10 guineas; build a house for his reception until he can procure one of his own, and clear a piece of ground to enable him to go to work immediately?"

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[1] *Craigie Papers*, ii, 155.

[2] It is evident from Porter's letters to Craigie that most of the emigrants stayed several weeks in Winchester. Cf. esp. that of July 19, in *ibid.*, ii, 156.

[3] For the migration, see Belote, *Scioto Speculation*, 51–54 and references, and also the following bits of information: *Duer Papers*, ii, 284, 285, 276, including (1) "Estimate of the Number of People destined for the Canton of Marnasia," two hundred and sixteen in all; (2) an expense estimate; (3) part of a draft of a letter evidently from Duer to one of the active agents in the business; *Boston Gazette*, July 5, Aug. 9, 1790; *Penna. Packet*, Aug. 2, Sept. 6, 1790; Hulbert, *Andrew Craigie and the Scioto Associates; Duponceau Letter Book B*, 49.

[4] Cf. Hulbert, *Andrew Craigie and the Scioto Associates*, and Peter Duponceau, quoted in a letter of Edward Fox to Craigie, June 23, 1790, in *Scioto Papers*.

In making arrangements the company, and Duer as its representative, endeavored to discharge the obligations which Barlow's promises had laid upon it; yet the most they could do could not have made come true the dreams of paradisaical wealth and leisure which had led most of the Frenchmen to become pioneers.

In financing the enterprise, however, Duer displayed a caution that was far from commendable. Porter in Alexandria was not furnished with ready funds or usable credits, except after long delays and in wholly inadequate amounts. July 5 he wrote Craigie frantically: "I am without advice! without funds! & embarrassed, with already presented & accepted drafts — for the supplies & transportation of the Emigrants — a Situation! that I had no right to expect to be left in —"[1] On July 7 again: "The people being gone every body expect to be paid & I am totally without means — judge you of my Situation — My Situation here is nothing to what it is at Winchester."[2] He soon received a credit on Philadelphia and a draft on Norfolk, but these were entirely inadequate, and repeated appeals to Duer and Craigie failed to bring relief.[3] On December 10 he wrote:

"The Waggoner's are all returned & every body knows what a clamorous Set they are — . . . Craigie! after what I have Suffered in this business — It is barbarous — to put me to so much trouble, loss of time & expence before I can receive the smallest relief — You all agree, Trustees & Agents — that ultimately it will prove a *safe* business — but you know that the ultimatum with a Waggoner — is payment, on finishing his work & that nothing else will do The Trustees are able to make the necessary advances for the present . . . this they ought to feel obliged to do — & not leave an individual or two to suffer on their account — This morning Armstrong's drafts have been presented to amount of *£146″ 14″* — figure to yourself a man in M^{r} Armstrong's Situation — the only responsible man on the Spot — haunted to death by such a class as the back-woods Waggoner's of every Country are generally Composed of — but none, perhaps more troublesome than those of Virginia — In this Situation he is drove to the necessity of drawing & at Same time under apprehensions of his bills being disgraced — for God's-Sake Craigie, urge Something forward —"[1]

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[1] *Craigie Papers*, ii, 154. Cf. his letter of June 30, in *ibid.*, ii, 153: "My own honor is now engaged, for the performance of certain Contracts, which I must fulfil or Suffer the inconvenience, too often attendant on the act of volunteering in the interst of a friend . . . its impossible for me to disengage myself, till the Emigrants, *already* arrived, shall leave Winchester."

[2] *Ibid.*, ii, 155.

[3] Porter to Craigie, July 12, 16, in *ibid.*, ii, 157, 158. Cf. letters of October 22, November 3, 4, 10, 18, December 10, in *ibid.*, ii, 162–166.

Duer's tactics were those of questioning the accounts, the authority under which expenditures were made, the economy exercised, and, in general, of delaying both letters and remittances in most exasperating fashion. These were characteristic of his business dealings. Evidence is lacking, but it is probable that eventually Porter and Armstrong were reimbursed for their outlays, though inadequately recompensed for their efforts. This was not true of all the agents, however. Late in April, 1792, Franks wrote Craigie from Philadelphia:

"Inclosed is an Account Curr^{t} with the Scioto Company, by which you will see, there is a Balance due to me of £117″ 9″s. 11d. New York Currency — I am constrained to present it to you as the only Person belonging to that Company who can relieve me from the very great distress I am thrown into by my connection with it — Perhaps I should not have claimed the Balance due to me on my individual Account, but three lawsuits brought against me in this City by the Waggoners who carried the Party of Emigrants from hence & all determined against me — with misfortunes of a more weighty nature, oblige me to present the whole of the Debt in one View — To save myself from a Prison I was obliged to Borrow £60. . . ."[2]

The first party reached the new town some time in October, after more than three months on the way.[3] Lots were assigned and other lots sold.[4] Late in November Governor St. Clair, returning from Fort Washington, found about four hundred at Gallipolis, "living in barracks," but not "at all usefully employed" and "much discontented," who forthwith handed him a petition "presenting a view of their unfortunate situation" and asking redress.[1] To this the governor made a soothing reply. He expressed sympathy with their situation, promising that he should omit nothing in his power "to render it as agreeable as circumstances will admit of," but reminded them that difficulties were inevitable and urged patience and perseverance. To the complaints about the company he pleaded ignorance, and promised early justice by due process of law, but refused to appoint a person "to judge expressly between the colonists and the company." He acknowledged "the necessity of an established police, as well as a militia," and gave them to understand that it would be organized. But these regulations were delayed by the "lack of proper information with respect to the characters best fitted to fill the civil and military offices" and by the cutting off of communication by the ice.[2] To the Secretary of War St. Clair wrote very frankly, Nov. 26, 1790:

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[1] *Craigie Papers*, ii, 167. He reports "the last foot . . . of Armstrong's A/c is £2800 & odd." Cf. also Porter's letters of December 13, 15, and Horace Johnson to Craigie, Jan. 6, 1791, in *ibid.*, ii, 168, 169, iii, 64. Seth Johnson, a New York partner of Craigie's, wrote the latter April 3, 1791: "Col^{o} D has not returned from Phil^{a} therefore M^{r} Porters bill remains unaccepted — I will endeavor to remit to Alex^{a} the amount of it either by Bills or by credit on Phil^{a}": *ibid.*, iii, 66.

[2] *Ibid.*, iii, 30.

[3] *St. Clair Papers*, ii, 180.

[4] Petition of French emigrants, December, 1795, printed in Belote, *Scioto Speculation*, 71.

> ". . . I am persuaded that some protection will be necessary for them as well against the savages as at least to support the civil authority, which will be established in the settlement forming near the Kanawha, as soon as possible, and in all the others, as they take place. . . . I very much fear that much disappointment and chagrin will attend this project, and that an interested speculation of a few men, pursued with too much great avidity will reflect some disgrace upon the American character, while it involves numbers in absolute ruin in a foreign land. Nothing, however, that depends upon me shall be wanting to render their situation as eligible as circumstances will admit, for it is certainly important that they should ultimately succeed. Their success, however, can never in any degree answer the expectations that have been raised. I presume, sir, it will be necessary to be explicit with General Harmar on the subject of the protection he is to afford them. . . ."[3]

While events were progressing thus in the mountains and on the Ohio, matters were taking an unfavorable turn in France. As we have noted, 1,500,000 livres were due to be paid by the

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[1] In a letter to Benjamin Walker dated Nov. 30, 1790, Duer asks information regarding the enclosed "paper signed by a number of the principal French Emigrants relative to the conduct of the Scioto proprietors in America": *Scioto Papers.*

[2] *St. Clair Papers*, ii, 180, 190.

[3] *Ibid.*, ii, 195.

French company to the American on Dec. 31, 1789, and April 30, 1790. Considerable sales were made, considerable sums taken in; the details Barlow never reported and probably did not ascertain, and his successor seems to have left no record of what he learned of them. But Barlow saw nothing of the funds and apparently could not draw on them for his own expenses. He kept writing optimistically of sales, as late as January 25 gave the strongest assurance that the overdue payment would be made, and definitely authorized the drawing for 200,000 livres.[1] Throughout February he seems to have remained silent. About this time, even before the emigrants had left Havre, there was a revulsion of popular opinion unfavorable to the project, sales fell off considerably, and Maheas, one of the charter members of the French company, was compelled to flee the country.[2] Convinced that the company he had formed would be unable to fulfil its obligations, Barlow threw over both the contract and the company and told Duer, when writing March 3 to advise him of this fact, that he was carrying on the sales in his own name. He did not, however, refer to the drafts he had authorized, and the presumption was that he held the funds of the abandoned company and could meet them. In point of fact, however, Barlow left the funds where they were, under the control of Playfair and the French treasurer, and set about forming a new company to take over the assets and obligations of the old and make a new contract. This task, under consideration perhaps as early as January, 1790, was finally brought to a head informally in March and, after exasperating delays, formally on July 22.[3] The new contract was with a group consisting of Playfair, who held a three-tenths interest; the De Barths, father and son (the son François acting), with a half interest; Marc Anthony Coquet and General Duvallette, each with one-tenth interest: this time a group practically without financial responsibility.[1] The contract was clearly much less favorable to the American company. The new company was to assume all the obligations of the former company to previous purchasers and the payments to the United States Treasury, and was to take over the money and securities on hand. The American proprietors, however, were to receive only reimbursement for expenditures for the emigrants plus 15 sols per acre,[2] on which an advance payment of 50,000 livres was promised September 1 and 100,000 more was to be raised by loan for the same purpose. Payments to the Treasury and to the New Yorkers were to be made regularly three months after the sale of each 300,000 acres, and no restriction as to the location of the lands within the tract was made.

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[1] See *supra*, 223.

[2] Belote, *Scioto Speculation*, 35; *Mass. Hist. Soc. Proceedings*, xiii, 82–83 (1873).

[3] Belote, *Scioto Speculation*, 39–40. Cf. Barlow to his wife in London, July 19, in the *Barlow Papers:* "my business has been vexatious beyond all description. For about three weeks I have been almost sure every day of bringing it to such a close in every four or five days as to leave it cleverly for a month, & then to come to you in London." The account given by Dawes, in his article on "The Beginning of the Ohio Company . . . ," and in Cutler, *Manasseh Cutler*, i, 514–515, is criticised by Belote, particularly with reference to the participation of M. Boulogne or Bourogne. Belote's view is borne out by Porter's letters of August 16, 18, which indicate that Bourogne was in America all summer: *Craigie Papers*, ii, 159–160. An interesting proposition of Bourogne to Duer for a new contract, which was coldly received, is in the *Duer Papers*, ii, 279.

To Lezay-Marnésia in America Colonel Rochefontaine wrote in the middle of August, 1790, telling of this development and adding:

> ". . . By a very bad arrangement, those gentlemen don't pay for the lands but after they are sold, in consequence of which they will sell all the land along the river, and will leave nothing for the proprietors in America but the back lands; and what is still more against the American proprietors is, that these gentlemen have no other funds to fulfill their engagements with Mr. Barlow but what they get by the sale of the lands. In short, they will make an acquisition, as they are daily made in Paris, which will be entirely to their own profit, and afterward renounce the whole, which must prove highly contrary to the interest of all concerned, as this will give a bad name to the affair, and hinder the country from getting settled as we expected. The only way to extricate Duer, Sargent, Putnam, and the other partners in America from this inconvenience, is to refuse ratifications of the article contrary to their interest made by Mr. Barlow, as it is against the powers invested in him, and to order that the lands be sold by Mr. Barlow, Playfair, Duportail, and myself; and I can assure you that by this method the whole tract of lands will be shortly sold to the great advantage of the Company. As instance how little fit Mr. Barlow is to transact Public affairs, upon some hopes given him by M. De Bourogne and others, he engaged Mr.

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[1] Belote, *Scioto Speculation*, 39–40.

[2] Cutler, *Manasseh Cutler*, i, 514–515. Rochefontaine's letter says 28 sols, and that the same price was to be paid by Congress.

> Duer to draw on him (Mr. Barlow) notes to the amount of 100,000 livres, which has been done. These notes are to be paid the 28th of this month, but for want of funds they are to be returned unanswered. If this new company had been willing to make use of the great credit they announced to Mr. Barlow, they certainly would have helped him out of this cruel embarrass [sic] and would not expose their creditors in America to the enormous expense this refusal must occasion."[1]

In similar terms Rochefontaine wrote Duer and further urged sending to Europe "another gentleman more acquainted with business than M^r^ Barlow" to join Barlow, Playfair, Duportail, and himself in marketing the lands.[2] Putnam and Coquet's son, in Marietta, expressed from their diverse viewpoints — and there were doubtless others who did the same — their extreme displeasure and anxiety at the new turn of affairs.

In accordance with Barlow's authorization Duer drew on him in favor of Constable & Co. for 100,000 livres, and possibly further; and the drafts were sent to Phyn & Ellis, London, for collection. Reporting this to Barlow May 24, 1790, Craigie added:

> "they will be drawn on for the proceeds — *but* on acc^t^ of the low rate at which all Bills are now selling no Bills on Phyn & Ellis have as yet been negociated consequently no cash has been rec^d^ — It has therefore been necessary (till Bills can be negociated without too great loss which we expect will be the case in a few Weeks) to procure advances of Cash from those who could make them — what I have advanced has been considerable for part of which I shall take a Bill on you to the amount of £528.1.5 this currency which I shall remit for acc^t^ of M. de Warville of paris to whom I have written on the subject. I am under engagement to make further & large advances for which I shall probably take bills."

He advised Barlow that "the surveys are now completed & will in a few weeks be returned into the Secretary's Office," urged the importance of preparing the company to make the first payment early, and cautioned that "*a demur would ruin the whole Business.*"[3] Besides these a number of drafts presented by the well-to-do emigrants — some in consequence of letters of credit given by Playfair — were negotiated through Craigie, Duer, Walter Livingston, or others close to the associates.[1]

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[1] Cutler, *Manasseh Cutler*, i, 515. One may infer that the loan to be raised on the credit of the new company was to put Barlow in a position to meet this draft, though now, of course, it was to be considered an advance payment on the 15 sols profit of the Americans.

[2] *Scioto Papers*, dated August 17.

[3] *Craigie Papers*, i, 60. Cf. Flint to Craigie, May 24, 1790, in *ibid.*, ii, 29. Craigie wrote Barlow April 21 that in response to his authorization of December 20 a draft for 20,000 livres had been drawn in favor of Flint. Dawes, *Scioto Pur-*

The drafts on Barlow, at least, were returned protested and reached America probably early in September. About the same time Duer heard of Barlow's new contract from Rochefontaine — apparently not from Barlow himself. These two blows were cruel ones. In the light of this knowledge Duer's treatment of Porter is more easily appreciated, for his own funds were doubtless tied up, and there seemed small chance of realizing from the Scioto venture even the outlays already made, to say nothing of a profit.

From other sources information regarding the developments in Paris reached the associates, and, apparently even before the receipt of Rochefontaine's letter or the return of the protested drafts, it was decided to send abroad a confidential agent to investigate Barlow's actions and, if need be, take the business entirely out of his hands. The choice fell upon Benjamin Walker, an intimate and trusted lieutenant of Duer's, formerly an aide and always a close friend of Baron Steuben, and now naval officer of the port of New York, from which Hamilton quietly gave him leave of absence to go to France.[2] Walker was given three commissions, dated Sept. 11, 1790, with power to use whichever he saw fit. The first made him joint agent with Barlow in the management of the Scioto Company affairs in Europe; the second

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chase, 474, says that Duer drew for the full 220,000 livres immediately after the formation of the trust. He may have drawn for this amount before word of Barlow's financial irresponsibility reached him, but evidently did not do so at the outset. Cf. further Craigie to Barlow, June 16, in *Craigie Papers*, i, 64, requesting him to pay Brissot £528 1s. 5½d. and take the latter's bill on Craigie at twenty- or thirty-days sight, adding: "I will pay it to Col° Duer or any person you shall direct — By this mode something will be saved to the Scioto Concern as a great loss is incurred by negociating Bills." And see *infra*, 263.

[1] Cf. letters of Porter to Craigie, June 30, July 7, August 16, December 13, Craigie to Porter, August 5, Craigie to Brissot, August 31, Walter Livingston to Benjamin Walker, Nov. 18, 1790: *ibid.*, ii, 153, 155, 159, 168, i, 72, 73, iii, 112.

[2] Note in this connection Duer's letter to Walker of March 26, 1791: "I have communicated to Col Hamilton all the papers you have lately transmitted relative to the affairs of the Scioto Company he has authorized me to intimate to you that if you should stay a few months beyond your leave of absence no notice will be taken of it": *Scioto Papers*.

appointed him agent to examine the accounts and proceedings in Europe relating to the company; the third constituted him sole agent of the company abroad. All were signed by the three "trustees for the Scioto Purchase," Duer, Flint, and Craigie.[1] Walker's task was first "to save the concerns of the Scioto association from Ruin;" secondly, to investigate the prospects for further land sales. Craigie wrote him November 3, after receiving further accounts from Paris after Walker's departure:[2]

> "The manner in which Business has been conducted there cannot be accounted for on any principles favorable to the honesty of Playfair or the prudence of M^{r} Barlow. . . . all [Acc^{ts}] indicate great disorder & very bad management; but at the same time show that circumstances have been & still are extremely favorable for fair & honorable Negociations of American Lands — & I feel a strong hope that you will be able to carry the views of the concern into effect. . . . M^{r} Duer is extremely mortified at having his Bills protested — indeed I dont know how he can manage to prevent the ruinous consequences of the disappointment. He has made very heavy advances on the strength of M^{r} Barlows assurances He will write you bitter things & I fear will direct severe Measures to be taken against M^{r} Barlow[3] — which however I shall do all I can to prevent. Tis my advice to him to commit the whole Business to your discretion. I see no good that can be answered by the severity his Disappointment & vexation dictate."

Meanwhile the inactive associates and their friends were shown the bright side, but none of the dark sides of the progress. Craigie's letters are probably typical. On March 11 he wrote congratulating John Holker, a shareholder, on the prospects: "Since you left the information has been rec^{d} from Europe of the certain success of the Land Negotiation — and on terms far exceeding our sanguine Expectations." The same day he wrote Nalbro Frazier, whom he had "interested": "Our Land Business has succeeded beyond all Expectations but till some arrangements are made here not a word must be said about it." On April 10 he wrote Samuel Rogers of London, a third: "You may remember that I interested you some time ago in a Land speculation which I have now the pleasure to inform you promises

[1] *Scioto Papers.* Cf. also the letter dated Sept. 11, 1790, quoted in Belote, *Scioto Speculation*, 74.

[2] *Craigie Papers*, i, 102. Cf. *ibid.*, 103.

[3] A draft of such a letter, dated November 4, but unsigned and unaddressed, is in the *Scioto Papers*.

great advantages — The Agent having succeeded in a very capital negotiation." On May 7, again, when he was beginning to receive ominous letters from Thomas Porter in Alexandria, Craigie wrote Holker: "I have the pleasure to inform you that the Land business wears a very promising appearance. that the prospect is equal to our most sanguine expectations." On June 17 he informed Frazier: "The Land Business goes on well & will I hope for your sake as well as that of the other parts of the Concern be soon productive."[1] As late as October 6, in a letter expressing discouragement over stock speculation, he said to Brissot: "It is said that Barlow has done well & I shall be very happy if his Object is finally accomplished — he has not written to me this long time."[2]

Walker arrived in Paris, probably before the end of October, 1790, and remained five or six months abroad. He heard Barlow's story, investigated his affairs, secured his "most friendly cooperation," acquitted him of "every charge of fraudulent conduct," and ascribed his embarrassments "to a want of experience in men & business." From Playfair he secured accounts of operations and for a time was sanguine of securing what funds remained from the "train of enormous expences."[3] Soon, however, he became convinced that Playfair was a scoundrel and in a published advertisement denounced him and warned the public to purchase no Scioto lands from him. Playfair replied in kind the next day and attempted to assure the public that he alone had "any authority to sell those lands or negotiate the effects," but soon, it seems, disappeared with what funds remained unspent.[4] Presumably Walker disclaimed the contract with the second French company. He agreed with Rochefontaine to form a third local company which should take over the contract with the Ohio Company for forfeited shares, fulfil the land obligations of the first French company in so far as the lands had been paid for, and purchase in all a million acres. Leaving the execution of this to Rochefontaine, Walker returned to America to help push through the lowering of the price of the lands and the adequate protection of the settlers, which were vital to the success of the scheme.[1] Barlow, of course, was virtually ousted from his position, much, indeed, to his relief, but with the utmost vindictiveness toward Duer. His own view of the situation, six months later, is perhaps worth quoting. Writing to Abraham Baldwin, his brother-in-law (who represented Georgia in Congress), Oct. 17, 1791, he said:[2]

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[1] *Craigie Papers*, i, 50, 52, 54, 57, 65.

[2] *Scioto Papers*.

[3] See esp. Flint to Craigie, March 15, 1790, in *Craigie Papers*, ii, 32.

[4] Barlow to Walker, April 10, 1790, in *Barlow Papers*, Duplicate Papers. Cf. Playfair's letter to Duer, Dec. 27, 1790, in *Scioto Papers*, and cited by Belote as in *Gallipolis Papers*, i, 177. Playfair wrote Hamilton from Paris, March 30, 1791, complaining at length that Duer did not answer his letters, and referring also to Walker: *Hamilton Papers*.

> "I have done with all ideas of pushing Scioto any farther. There has been such a suite of mismanagement & misfortune about the affair in that country as has engendered a misunderstanding between Duer & myself, so that we shall both be losers by the job & take it out in mutual scolding. I leave the explanation till I come, not knowing as yet what kind of explanation is necessary, or whether any. The delay of six months in getting to the land (which considering the season was the same as a year) may be considered as the sole cause of failure of the whole project. All the difficulties in Europe had their origin in that.[3] Perhaps it could not have been avoided. My mortification in a pecuniary view is much the least that I have felt. I had half wore out my life in two years' constant anxiety labor & vexation, I had raised the expectations of my friends as well as my own, not so much on account of the expected profit as the pleasure of having accomplished a thing that I thought clever both on account of the difficulty & utility that hung about it. The purity of my intentions I believe will never be doubted by my acquaintances, & I expect no great difficulty in convincing them of the rational combination of the plan. How far others will trouble themselves to judge of it, I cannot tell. . . ."

Word of the troubles of the emigrants early reached France and added fuel to the flames of reaction, ridicule, and opposition already burning. De Barth and the Marquis Marnésia, even before their visit to New York, sent back representations intended to refute the evil news.[4] And Craigie wrote Barlow May 24, with what sincerity it is easy to judge:

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[1] See esp. Cutler, *Manasseh Cutler*, i, 516–517; Belote, *Scioto Speculation*, 42–44.

[2] *Barlow Papers*. The postscript too is illuminating: "Hamilton talked last year of establishing a land Office. I'll be hanged if they will find a better fellow to put at the head of it." Cf. Hamilton's report of July 22, 1790: *Works*, iii, 87.

[3] In view of the fact that the first company had failed in its contract before the emigrants sailed, this is of course wide of the truth.

[4] Porter to Craigie, May 7, Aug. 16, 1790, in *Craigie Papers*, ii, 144, 159.

> "From M^r Flint you will receive all the information respecting the Land arrangements and it will no doubt give you all possible satisfaction. Every Exertion has been made to realize in the fullest manner the expectations of the Settlers — & they are generally as happy as men can be. The treatment they have received here has not in any respect been short of what your most sanguine wishes could have aimed at — & the Government is well disposed to give facility & aid the settlement." [1]

But the more direct information, received by numerous channels from numerous emigrants, unquestionably figured largely in checking the sales of lands in Paris, stopping the outflow of settlers, and effectually disappointing the expectations of Barlow and his Paris associates.

Brissot de Warville, who had supplied many of the leading emigrants with introductions to his American friends and whose *New Travels* first came into print in the spring of 1791, though he had no confidence in the French companies, valiantly defended the American associates.

> "This company," he says, "has been much calumniated. It has been accused of selling lands which it does not possess, of giving exaggerated accounts of its fertility, of deceiving the emigrants, of robbing France of her inhabitants, and of sending them to be butchered by the savages. But the title of this association is incontestable; the proprietors are reputable men; the description which they have given of the lands is taken from the public and authentic reports of Mr. Hutchins, geographer of Congress. No person can dispute their prodigious fertility.
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> "Certainly the aristocrats of France, who may emigrate thither under the foolish idea of forming a monarchy, would be fatally deceived in their expectations. . . . This enterprise is suitable to the poor of Europe, who have neither property nor employment, and who have strength to labour. They would find at Scioto the means of supplying their wants; the soil would give them its treasures, at the expense of a slight cultivation; the beasts of the forests would cover their tables, until they could rear cattle on their farms. It would be then rendering a service to the unfortunate people, who are deprived of the means of subsistence by the Revolution, to open to them this asylum, where they could obtain a property. . . . This settlement would soon rise to a high degree of prosperity if the proper cautions were taken in the embarkation and the necessary means to solace them, and to prepare them for a kind of life so different from that to which they are accustomed." [2]

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[1] *Craigie Papers*, i, 60.

[2] *New Travels* (ed. 1794), 410–411. Cf. however, his opposition to the French company expressed in the *Patriot Français:* Ellery, *Brissot de Warville*, 86–88.

But the tide of disillusion, distrust, and hostility ran too strong to be checked.[1] The proposed new company, if formed, accomplished little or nothing. The Revolution swiftly grew more serious. In December, 1791, after service of only a few months, Duportail was ousted from the ministry of war, and before many months both he and Rochefontaine fled the country to escape the guillotine, on which Brissot perished.[2] The outflow of emigrants for the western lands was checked and the name of Scioto long remained a hissing and a by-word in France.

The events of the next two years tended to strengthen the evil impression. The Indians, with their old-time ferocity, were actively resenting the intrusion of the whites in the Ohio country. Efforts at conciliation — among which should be mentioned a dinner said to have been given to the queen of the Hurons by the Marquis Marnésia[3] — failed. In October, 1790, open hostilities having begun, Brigadier-General Harmar met with a severe reverse. Early in January following, the Ohio Company blockhouse thirty miles north of Marietta suffered the extremity from an Indian attack,[4] and General Putnam wrote in vigorous language to Duer on January 9:[5]

> "if government do not send out a sufficient force to chastise these fellows in a proper manner & give peace to the country, we are involved in compleat ruin, you must therefore set all the wheels in our power in motion to rouse Congress to a sence of their Duty and intrest."

Throughout the year the settlements lived in fear and trembling and suffered losses in lives and property sufficient to justify the fears. Not unnaturally the French at Gallipolis, untrained for these as well as the other features of pioneering, bitterly cursed their lot. Before the first spring had fairly arrived they began to drift away, east, west, or south. Some even returned to Alexandria and Philadelphia.[1]

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[1] It is by no means uncertain that rival land speculators did not contribute to this. Carré (*Les Émigrés Français*, 331) remarks: "voici qu'en décembre 1790, on announce au Havre l'installation imminente d'un groupe de banquiers prêts à mettre en vente des propriétés voicines de Philadelphie;" and the Morrises (of whom Gouverneur was in Paris and London) and Daniel Parker were hostile to the enterprise. Cf. Porter to Craigie, May 7, Dec. 10, 1790, and Nat. Barrett to Craigie, Oct. 7, 1790, in *Craigie Papers*, ii, 146, 167, iii, 3.

[2] Belote, *Scioto Speculation*, 43.

[3] Carré, *Les Émigrés Français*, 329.

[4] *Putnam Memoirs*, 113, 247–249.

[5] *Scioto Papers*.

Yet not all gave up the ship. The cultivation of the land was begun by the spring of 1791, and the fertility of the soil, at least, came up to expectations. Writing to the civil and military officers of Gallipolis, May 9, 1791, principally to urge precautions against Indian attacks, Secretary Sargent of the Ohio Company and the territory took occasion to compliment them upon "the industry and very handsome improvements of this settlement. Your plantations have, many of them, the complexion of years. . . ."[2] In June it was reported, in Philadelphia papers, that the three hundred Frenchmen at Gallipolis were determined not to be discouraged.[3] In October a gentleman from Gallipolis, interviewed in Pittsburgh, asserted "that the settlement at Gallipolis is in a very thriving way, and that they have not been molested by savages."[4] About the same time it was reported that excellent wild grapes grew on Sandy Island opposite Gallipolis and that the newcomers were in a fair way to produce a Scioto wine which would replace Madeira.[5] Early in November, however, came the exasperating, humiliating defeat of Governor St. Clair. Ternant, the French minister, wrote home March 13, 1792:

> "The Scioto establishment is almost entirely destroyed. A month since, hardly a hundred persons remained, and this remnant of an emigration of nearly a thousand souls were only awaiting spring in order to seek their fortunes elsewhere. Most of them have gone down the Ohio to Illinois or other parts of Louisiana, and others have returned to the ports where they landed in the hope of returning to France. Some of these unfortunates are constantly arriving to harass me because my funds are not sufficient to give them material aid."[6]

A few weeks later Duer's agent in Gallipolis wrote him that the settlers were remarkably healthy, that "the success of their experiments in making wine and brandy are circumstances that attach them very much to the country," and that "peace and possession of their lands would render them *heureux comme Dieux*."[1] For lack of these two essentials, however, discontent and discouragement were gaining fast when he left the settlement the week before. The delay in the granting of military protection was serious. They had believed the neighboring Indians friendly, but lately had lost cattle and horses and one man. His assurances that Duer would see to it that they got satisfactory lands there or in Illinois were doubtless unacceptable. He had been unable to prosecute them for what they owed the company, for none could pay, and if attempt should be made to assert the claims the whole body would run away in disgust.[2]

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[1] Carré, *Les Émigrés Français*, 331, 334; Du Plaine to Duer, May 17, 1791, in *Scioto Papers; Mass. Magazine*, iii, 324 (May, 1791).

[2] *St. Clair Papers*, ii, 206–207.

[3] *American Museum*, ix, App. III, 43–44 (1791).

[4] *Gazette of the U. S.*, Oct. 29, 1791. Cf. *ibid.*, Nov. 12, 1791; *Mass. Spy*, Nov. 16, 1791; *N. Y. Journal*, Dec. 10, 1791.

[5] *Mass. Magazine*, iii, 719 (November, 1791).

[6] Translated from F. J. Turner's *Correspondence of the French Ministers to the U. S.*, 1791–97, in *Amer. Hist. Assoc. Report*, 1903, ii, 97.

Those who remained in the Scioto country were chiefly the poorer settlers. Some of the wealthier did not get beyond the centres of population: LaRoche, for example, a member of the Vingt-Quatres, settled in Philadelphia.[3] De Barth and Lezay-Marnésia, promptly on their arrival at Gallipolis, refused to accept quarters there in lieu of the lands they had bought at the point where Portsmouth now stands.[4] Marnésia returned east, bought a four-hundred acre property in the Morris-Nicholson tract on the Susquehanna called "Asylum," and tried to induce all his friends to settle here instead of at the Scioto. Here he was happy for a short time, but soon sold his estate and wore himself out trying to get from Duer a refund of the money he had paid Playfair.[5] Other members of the Twenty-four busied themselves in negotiations with Duer, to secure other lands as a substitute for the hollow paradise on the Scioto.

In all but name the grand Scioto project was dead before the end of the winter of 1791–92. Not only was the hope of disposing of the lands abroad virtually gone, and with it the possibility of a loan on their security, but the prospects of making the payments to the Treasury in accordance with its contract were practically *nil*. There remained little to do but to clear away the wreckage and to save the remnants — a process which Duer cannily postponed as long as possible, and of which a few words will be said below.[1]

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[1] Quoted in Cutler, *Manasseh Cutler*, i, 519. Cf., however, *American Museum*, xi, App. III, 21 (1792), mentioning Gallipolis fears of Indian attacks.

[2] Matthews to Duer, April 5, 1792, in *Duer Papers*, ii, 251.

[3] Carré, *Les Émigrés Français*, 330, letter from Philadelphia, Nov. 3, 1790. One is at a loss to explain the paragraph in Hamilton's letter to Duer of Aug. 17, 1791: "La Roche may go to Scioto, if he can be back in the time you mention": Hamilton, *Works*, v, 478. Possibly he had a position in the Treasury Department.

[4] Cutler, *Manasseh Cutler*, i, 517.

[5] Carré, *Les Émigrés Français*, 331–332; La Rochefoucauld-Liancourt, *Travels . . .*, i, 84–90; Turner, *Correspondence of the French Ministers*, 465–466.

The responsibility for the failure of the Scioto enterprise cannot be placed simply on the shoulders of any two or three men. The scheme itself probably was not inherently impracticable. Conditions in France for a time truly favored its success. But at several points events occurred to upset calculations, and there was serious mismanagement at several others.

In the first place the rise of security prices was greater and more rapid than could have been expected, and this made a poor bargain with Congress out of what appeared at the outset a very good one. In August, 1787, continental securities were selling probably around 3s.; in January, 1790, they were 8s. 4d. to 9s.,[2] and they kept on going up. The success of the federal Constitution and the government under it, which thus reacted in one respect quite unfavorably to the fortunes of the Scioto and Ohio companies, could hardly have been foreseen. And Duer and his associates were probably warranted, after their earlier experience, in expecting Congress to be liberal with them in case their calculations miscarried—an expectation which was disappointed.

Furthermore, the delays in the departure of the emigrants from Havre and their arrival at Alexandria were unfortunate. It is possible that if the first settlers had arrived by the middle of March they might have been led out to the Ohio country in time to raise their food for the next winter. Certainly they would have been in better temper and would have had more funds with which to provide the necessary implements; and more of the artisan class, who so easily drifted off to employment in the east, would probably have remained with the settlers. While not altogether correct, there was a great deal in Barlow's assertion that all the evils were traceable to these delays; but in them the weather played a larger part than he admitted.

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[1] See *infra*, 269–270, 327.

[2] Cf. esp. *Craigie Papers*, i, 42, ii, 216–219.

A large responsibility must be laid at the door of the French agents, including Barlow, for sending out such a heterogeneous, unorganized mob of emigrants, unselected with any reference to the needs of the settlement, and also for imbuing them so generally with such unbalanced notions regarding the conditions they would find on the Ohio. High and low alike, most of them were utterly unfit to be pioneers. The history of the English business corporations which began the colonization of America is here repeated.

The financial irregularities, or outright theft, on the part of the misnamed Playfair were also a serious blow to the company. These could hardly have been foreseen and guarded against entirely, yet a more astute American agent would certainly have been even more cautious in selecting associates or more assiduous in watching their activities and securing his principals against loss through dishonesty. Barlow appears at his weakest in his connection with Playfair.

The choice of Joel Barlow for the European agency was distinctly bad business. He was unproved and was sent like a lamb among wolves. He showed himself honest and conscientious, but utterly unfit for his task. His deficiencies are obvious, but perhaps it is ungracious to condemn him for failing miserably in a job for which neither nature nor experience had qualified him. Duer must bear much responsibility for this choice, partly because he should have discovered a better agent; but the burden rests quite as heavily on Cutler, Sargent, Platt, Flint, and others, who actively urged Barlow's appointment.

Especially considering Barlow's inexperience, Duer's neglect of him while abroad was inexcusable. This is traceable partly to Duer's native tendency to procrastinate, especially in letter-writing; partly to the multitude of his interests; partly, perhaps, to a lack of sympathy between them which was suffered to grow. It bears testimony, however, to a fundamental weakness in Duer's make-up as a business man.

Barlow must be censured for lack of explicitness and complete-ness in informing his associates at home of his moves; for trusting too completely his Paris associates; for making definite promises in Paris when their fulfilment depended on so nice a concurrence of favorable events in America; for allowing unduly high hopes to be excited among the emigrants; for not supervising more carefully the personnel of the would-be settlers; for authorizing drafts for funds with quite inadequate assurance of ability to meet them; and for some over-sanguine but perhaps unintentional roseate misrepresentation of Paris developments.

Duer, on the other hand, must bear the brunt of the condemnation for the unsatisfactory handling of the emigrants in this country. The reception of them at Alexandria, the arrangements for their westward journey, the plan for their settlement were utterly unbusinesslike in execution. Clearly he was put in a hard position. As clearly he was clumsy, careless, dilatory in discharging the duties which he accepted. From his agents he received better service than such a leader has a right to except, and his treatment of some of them was far from that which an able business man would be expected to give.

A fundamental difficulty was that the Scioto Company was not organized, intended, or equipped as a colonizing agency, which Barlow's expedients practically forced it to become. It was far less so than the Ohio Company, which had its many troubles. It was essentially a company of financiers and risk-bearing silent partners, and the experience emphatically revealed that despite the versatility of its "superintendent," it could not act in the capacity to which Barlow's actions committed it. The task was a gigantic one, worth doing, but requiring infinite pains, unsparing effort, concentrated attention. The Scioto leaders were unable or unwilling (or both) to conceive it adequately and to devote adequate means to performing it. Duer was not, however, responsible for the actions of the Paris group, at which much of the criticism has been rightly directed.

The promising Scioto speculation yielded Duer none of the great gains hoped for. Nevertheless he did not lose a great deal through it. The earlier expenses of Barlow's mission, at least, and the expense of Walker's trip (at least £400),[1] indeed, were almost certainly borne by the associates, and Duer must have borne his share of such of these expenses as could not be postponed. He probably had to lay out funds on the provisioning and transporting of the emigrants. On the other hand, he effectually postponed the meeting of most of the debts incurred. Putnam was not reimbursed for his outlays in making the settlement ready for the newcomers. Many of the provisions furnished the emigrants were bought on credit, and the debts left unsettled. Other transportation expenses, such as the payment of the wagoners, were, at least in part, unpaid.[2] There was some offsetting income. A good part of the funds which the emigrants had brought with them was handed over to Duer's agents for transportation or for provisions and the like at Duer's store in Gallipolis; and through the issuing of demand notes which served there as currency, and which were probably never redeemed in full, something was doubtless yielded. If Duer had remained in active business operations, he could have evaded the payment of these obligations only temporarily; yet he seems to have succeeded, as matters developed, in evading their payment almost entirely. Moreover, Duer's reputation, while not enhanced, was not seriously injured by the failure. Its outcome, while probably generally known in business circles, was not commonly mentioned in the public press and may not have become common property. Such failures were not uncommon. He suffered some attacks on account of it as a member of a small, more or less invisible group of "speculators," but he was sufficiently accustomed to such criticism to be little affected by it. Still, he had to count as utterly wasted all the considerable valuable energy which he had expended in lobbying for the contract, in getting the business under way, in putting measures in train for the reception and handling of the emigrants, and in conferring with his fellow-trustees and with angry Frenchmen; and the business must have materially interfered with his handling of other business affairs during the same period.

[1] See Craigie's *Ledger A*, *Waste Book A*, Oct. 10, 1792.

[2] See *supra*, 237.

CHAPTER VI

MISCELLANEOUS BUSINESS AFFAIRS, 1788–92

DUER by no means confined his attention to stock speculation and the Scioto business. He had numerous other business concerns on his hands at the same time. His old partnership with Daniel Parker was yet to be settled up. He took up again his old business of furnishing supplies to troops. He commissioned Walker, when he went abroad on Scioto business, to undertake two speculative ventures. He helped engineer another large land purchase — this time from the Commonwealth of Massachusetts — and he extended somewhat his personal holdings of land elsewhere. He was the leading figure in floating two manufacturing companies. He played a part in the organization of the new Bank of the United States. Practically all of this before the end of 1791. Of these operations something must be said before we approach the climax of his career.

It is impossible thoroughly to unravel, without more evidence than is at present available, the accurate story of Duer's relations with Craigie and Parker in 1787–91, which have to do chiefly with the winding up of the affairs of Daniel Parker & Co., but which affected also the settlement of the affairs of De la Lande & Fynje, a bankrupt Amsterdam firm, in which Daniel Parker had purchased a claim after its insolvency.[1] It is clear from papers extant which relate to these operations that, in these days after the war, claims against insolvent estates furnished attractive speculative opportunities.[2] Since Parker was in London recouping his fortunes, Duer was left to attend to the task of limiting the losses in the earlier ventures while he was busy improving his opportunities along new lines. He did not himself undertake the settlement. Indeed it was to arrange for the agency in this business that Andrew Craigie had made his flying trip to Europe in the late summer of 1787, and he was the painstaking diplomat who handled the negotiations with debtors and creditors through several weary years. But Craigie constantly consulted Duer, paid him great deference, and found him essential to his success. In February, 1788, for example, Craigie wrote Parker:[1]

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[1] Hulbert, in his *Scioto Group*, 13–15, gives some account of these operations, but my interpretation of the evidence differs in important respects from his.

[2] Cf. Craigie to Parker, Nov. 19, 1788, in *Craigie Papers*, i, 24: "Could you purchase for a mere trifle a good, incontestable claim against *Geyer* for about 6. 7. or 8,000 Dollars an advantage might be made by it. & I wish you would do it."

> "I have had a long conversation with D respecting our friend Col^{o} S. [W. S. Smith?] he will write to me by this packet & exert himself in *the Business*. Col^{o} D has shewn me a letter dated in November last from Mess^{rs} Van Staphorsts respecting M^{r}. Dumas & in answer to a letter they rec^{d} from him. D has great influence, & will use it agreeably to their wishes, being himself very much of their opinion respecting that character. We had a long discussion of the political circumstances of the case, and unless something new turns up respecting it I am satisfied that M^{r}. Dumas will find a good advocate in D. but this I communicate to you confidentially."

And again April 1:[2] "Col. Duer writes you by this opportunity & has much to communicate — he is with me in every Thing & will render me very great services."

In October, 1788, after months of negotiation, Craigie succeeded in making an agreement with the Philadelphia creditors of Daniel Parker & Co., chief among whom were John Holker (in 1778–80 French consul in Philadelphia and agent for supplying the French navy),[3] Harry Ross, Nalbro Frazier, and one Chaloner.[4] The agreement was that the claims should be settled by a board of trustees or arbitrators on which the creditors should be represented. Its precise terms are not accessible, but Craigie thought it very favorable; Christopher Gore, his partner in speculation during this year and an agent in related business, agreed with him; and Duer's sentiments, as well as his stake in the concern, appear from the letter which he wrote Parker Nov. 5, 1788:[1]

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[1] *Craigie Papers*, i, 12.

[2] *Ibid.*, i, 14.

[3] Francis Wharton, *The Revolutionary Diplomatic Correspondence of the United States* . . . (Washington, 1889), ii, 627, iii, 258–272, 287, 455; *Md. Historical Magazine*, vii, 305 (September, 1912); *Deane Papers, passim.*

[4] See esp. Craigie to Parker, April 1, October 29, Craigie to Holker, November 4, Duer to Holker, October 22, Gore to Craigie, November 9, in *Craigie Papers*, i, 14, 22, 23, ii, 51, 74.

"I have been of late so engaged in business as not to be able to attend to private correspondence — you will however learn from Craigie what *miracles* have been effected in the settlement of your old affairs: nothing now remains on your part but to transmit ev'ry scrap of paper that may be [sic] enable us to state the Company Accounts — the effect of the credit you have obtained for £70 000 you will I trust easily see —. I suppose the loss of the Company should be £100.000 —

you & myself are accountable for a moiety	£50.000
Bal^a due by J. Holker —	20.000
	70.000

I need not enlarge on this topic — it is a debt of Gratitude I owe to our friend Craigie not only to express my gratefull Sense of the Services he has rendered — but to impress them on your mind — though I trust you want no monitor to remind you of his attachment to you — it is not possible to describe how many obstacles he has Conquered: how many interest, capricious Humours, & wayward circumstances he has had to struggle with — this Victory does honor to his head as well as his heart —"

Craigie himself wrote Parker optimistically two weeks later:[2]

"Your credit & Character in this country will be exceedingly respectable whenever all the acct^s are settled — & your friends who are numerous will then come forward & support your pretensions to public notice & I see not but the great road to honorable distinction in some public Character will be open to you."

Craigie communicated the articles to Duer on his return to Philadelphia, and the latter wrote Holker assuring him of his "doing everything on my part to complete this agreement" and settling the accounts with the firm.[3] After seeing Duer in response to Holker's inquiry Craigie wrote the latter:[4]

"Col^o D has not as yet signed the articles, but he has not refused to do it — I am disposed to do what is right with him but after the allowance made to you from the advantages derived from the mode in which the payment for the property was made, I do not at present see what stipulations in his favor I can be justifiable in making — if you will however give up to him a small part of what is allowed to you I shall not be against adding to it not less than an equal amount — You know Col^o D^s situation with respect to yourself, & that whatever is allowed to him either by yourself or M^r Parker will eventually be for your own security.

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[1] *Craigie Papers*, ii, 52.

[2] November 19, in *ibid.*, i, 24.

[3] October 22, in *ibid.*, ii, 51.

[4] November 4, in *ibid.*, i, 23.

> "With respect to Mr Melancton Smith . . . it is for the interest of the Company that he be settled with as soon [as] possible."

Duer succeeded eventually in making it a condition of the agreement that Holker should give up to the arbitrators all the notes of the firm which he held, "in order that Indorsements might be made to prevent their being negotiated;" and Holker gave "bonds to a large amount for the performance" of this duty.[1]

For the board of trustees Craigie sought William Seton, John Murray, Alexander Hamilton, Jonathan Burrel, John Ross, and Holker.[2] And on Jan. 25, 1789, he wrote Holker of progress making:[3]

> "All the Gentlemen have agreed to act except Mr. Hamilton who has but lately returned from the Country & has it now under consideration — . . . With regard to the Creditors here I have not had time to make a particular application to them — but Col Duer promises to do it & I have understood him that he conceived there would be no difficulty in their coming into the agreement — Mr. Murray has said that he should have no objections provided it did not lessen his security. Col Duer is satisfied with the agreement we made & is ready on his part to carry it into effect whenever it shall be convenient."

But, thanks partly to Holker, partly to disaffection among other creditors, partly to Duer's tactics, the final settlement dragged on for some years. On May 23, 1789, Craigie wrote to Parker:[4]

> "I have not as yet procured the signature of Duer to the last Inst. — but there is no doubt of its being done in a few Days. Our not having agreed on some points has caused the Delay & you will easily conceive of my difficulty in making an arrangement with him. We have nearly come to a point & it is so essential to his Interest to accede that I am sure he will not delay it many Days."

As late as April 7, 1790, Craigie had to write Parker:[5]

> "There has been a very unfortunate Concurrence of Circumstances to disappoint me in the expectation of Duer's signing the last Instrument — You know him well & will not be surprised at the Delay which his Jealousy has occasioned — the pretence for his delay is a fear that I may combine with Holker to effect such a settlement as shall be injurious to him — I am not concerned about the Event it is utterly, as I conceive, impossible for him

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[1] Craigie to Parker, Oct. 6, 1790, in *Craigie Papers*, i, 92.

[2] Hulbert, *Scioto Group*, 15 n, citing *Papers of the Continental Congress*, No. 59, iv, 221.

[3] *Craigie Papers*, i, 31.

[4] *Ibid.*, i, 35.

[5] *Ibid.*, i, 53.

> to defeat the object. I am however anxious to receive all the papers you can send respecting the old concerns. I shall soon put an end to the Business after they arrive."[1]

In January, 1790, Nalbro Frazier wrote Craigie, after congratulating him on the happy aspect of the Scioto business and the rumor that he was rapidly advancing his fortune by stock speculations, that

> "Morris wants us to give up the Bill of Holkers on which Parker is an endorser & receive his obligation to pay us in two years, or sooner if recover'd his Intention is to send the Bill to London to recover of Parker. as I consider myself holding this Bill for your account, by the Arrangement which we made some time since I wish your opinion & Instructions on this Business — Ross & Holker will be at New York early in the week, with a determination to bring the Business of Parker Holker &c. to a close — Holker talks of going to Europe himself to get a settlement with Parker which from what I can learn will be the case unless something is done very speedily in the Business. . . ."[2]

During this year Parker, Duer, and Holker were joint defendants in a litigation in the Supreme Court of Pennsylvania.[3] In December, at Holker's request, Craigie was served as garnishee with a foreign attachment against Parker.[4] About this very time Samuel Rogers, Parker's London partner, suspended payment, and Parker was seriously embarrassed, and with him Gouverneur Morris, who had joined them in certain stock speculations,[5] so that settlement was further postponed.

Because of Parker's claim against the estate of De la Lande & Fynje, which was considered one of his important assets, Craigie was also put to trouble about the American debts of that firm.[6] Among its creditors was the United States. In June, 1788, thanks to Craigie's strenuous efforts and thanks in part doubtless to Duer's "great influence," the Board of Treasury, acting under instructions from Congress, assigned the claim to Christopher Gore, attorney for Rogers, for $7546 $^{41}/_{90}$ in "United States liquidated securities."[1] The success of enforcing this claim depended partly on the securing of certain goods attached in the hands of American debtors of the Dutch firm and partly on the outcome of certain London and Amsterdam negotiations respecting other assets.[2] The whole matter involved a vast deal of vexatious effort and was protracted over several years.

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[1] Cf. Duer's suspicions of Parker voiced in his letter to Holker, Oct. 22, 1788, in *Craigie Papers*, ii, 51.

[2] *Ibid.*, ii, 171.

[3] *Ex parte Holker*, 1 Dallas (Pa.) 111.

[4] Notice in *Craigie Papers*, iii, 53.

[5] Walker to Craigie, Jan. 12, 1791, Parker to Craigie, Feb. 1, 1791, in *ibid.*, iii, 54, 66.

[6] Hulbert, in *Scioto Group*, gives a fair account of this in a few words, but an adequate statement can be made only by a thorough study of the *Craigie Papers* and the *Papers of the Continental Congress*. See esp. Craigie to Jared Ingersoll, Sept. 8, 1788, in *Craigie Papers*, i, 21.

It is to be doubted whether these affairs were settled before Duer's fall.[3] Holker's Scioto shares, and possibly Frazier's as well, were given in part payment of his claim, but proved worse than worthless, and it appears that even his lawsuits failed to secure redress. The episode is significant not only in showing the delays, suspicions, and negotiations which were indulged in by even reputable big business men of that day, but also in showing how Duer succeeded in putting off the evil day of paying his acknowledged debts or losses.

The Indian troubles in the western territory, which made matters so uncomfortable for the Ohio and Scioto settlers and so injured the financial standing and prospects of both companies, offered a source of profit to the versatile Duer. Troops were needed; for the troops, rations and other supplies. The contractors who were serving them had not given satisfaction, as St. Clair intimated in his letter to the Secretary of War, Nov. 26, 1790.[4] Duer's activities on behalf of the French emigrants made it seem probable that he could handle the army contracts with special satisfaction. Both his Revolutionary experience and his intimacy with Hamilton and Knox insured him favorable consideration. On Oct. 28, 1790, the Treasury Department made a contract with one Theodosius Fowler[1] for supplying rations to the frontier army en route from Fort Pitt during 1791. On Jan. 3, 1791, this was transferred to Duer, who had been the real principal from the beginning;[2] the transfer was "lodged" in the Treasury Department only on April 7, 1791, and throughout Hamilton dealt with Duer as agent of Fowler, though Knox treated him as the contractor.[3] On April 26, 1791, Duer entered into a second contract, this time apparently directly with the War Department, for furnishing needed supplies to Fort Pitt, giving a bond of $4000, without security.[4] From Duer's standpoint this enterprise promised to concatenate well with supplying the needs of the Gallipolis settlers, as well as other bands of emigrants who might go out to the lands; and his correspondence indicates that to a considerable extent the same organization was employed for the two ends.

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[1] Craigie to Parker, April 6, 1788, in *Craigie Papers*, i, 15, and transcript of the Treasury records made by Duer for Craigie, in *ibid.*, ii, 49; *Journals of Congress*, xiii, 31-32 (June 2, 1788).

[2] See esp. Craigie to Parker, July 27, 1788, May 8, Aug. 8, 1790, in *Craigie Papers*, i, 4, 58, 73.

[3] Cf. S. Johnson to Craigie, Oct. 16, 1793, in *Craigie Papers*, iii, 83, and *U. S.* v. *Parker et al.*, 2 Dallas (Pa.) 373 (1797).

[4] *St. Clair Papers*, ii, 196.

Duer remained in New York and undertook to handle the business through agents, with whom he seems to have corresponded with considerable faithfulness.[5] Of the new contractors St. Clair wrote Knox discouragingly Nov. 26, 1790:[6]

> "It is to be hoped — no, it is to be wished — that they may do better, but it is scarcely possible. The contract was at a price before at which the supplies could not be furnished without loss. It is now at a loss, and the

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[1] Fowler had been, and probably was still, a broker in New York, with New England connections: *Connecticut Courant*, Dec. 3, 1787, March 3, 1788. His bondsmen for $100,000 were Walter Livingston, late member of the Board of Treasury, and intimate with Duer, and John Cochran, loan-office commissioner.

[2] Cf. J. C. Mountflorence to Duer, October, 1790, prior to evening interview: ". . . The Business you have lately engaged in by the Contract for Rations": *Duer Papers*, ii, 223.

[3] *American State Papers, Military Affairs*, i, 42; Hamilton, *Works*, iv, 147.

[4] Correspondence, estimates, etc., relating to this business appear in the *Duer Papers*, esp. ii, 182–184, 226–243, 246, 282, 283. Facts bearing upon it appear in (1) reports of a congressional committee, May 8, 1792, Feb. 15, 1793, in *American State Papers, Military Affairs*, i, 36–39, 41–44 (the second report corrects misstatements in the first); (2) a report by a committee of the House of Representatives, made March 25, 1802, on the claim of Fowler, in *American State Papers, Claims*, i, 259–262; (3) House Report 133, 29th Cong., 1st Sess., Jan. 27, 1846.

[5] Among the agents were M. W. Thomson, Laban Bronson, J. & C. Wilkins, John Neville, J. C. Mountflorence, Israel Ludlow, John Kean, James Smith, Matthew Earnest, as indicated by the correspondence in the *Duer Papers*, the reports of the congressional committee, and Duer's reply to it in *National Gazette*, May 21, 1792.

[6] *St. Clair Papers*, ii, 196.

poor soldiers will be the sacrifice. The small articles which form a material part of their small ration will never be furnished at all, as they have heretofore been but very seldom furnished, and the money that should be paid for them will sink in their own hands for some trifling article sold them at an extortionate rate. . . ."

That the business was actually badly bungled is clearly revealed in St. Clair's letters and the diary of his aide, Major Denny.[1] Flour and beef were not on the spot in sufficient quantities, causing serious delays, under-nourishment, and discontent. Knox, the Secretary of War, heard complaints early in the campaign. He wrote Duer June 26: "For God's sake, put the matter of provisions on the frontier in perfect train." [2] Answering St. Clair's early complaints on August 25, Knox wrote the general:

> "I have repeatedly written to you that if the contractor's arrangements, either in his supplies of provisions or the transportation of them, should be deficient, that such deficiency must be supplied by your orders, and the contractor made responsible." [3]

This, however, was more easily said than done; and to burden a commanding general, in none too good health, with such additional duties and worries was not to promote the success of his expedition. A congressional committee to investigate the causes of St. Clair's disgraceful defeat of November 4 reported May 8, 1792.[4] Among other things they had to say:

> "The contractors for supplies, agreeably to the terms of contract, were to furnish horses, &c. for the transportation of the supplies; in this condition of the contract there was a total failure, which compelled the commander in chief to direct between six and seven hundred to be purchased by Israel Ludlow, one of the contractor's agents,[5] to draw bills on Mr. Duer, the acting contractor for payment, which bills were indorsed by the commander in chief, to the amount of about seventeen thousand dollars, were protested by the contractor, and paid at the treasury; the persons employed by the agents of the contractor to drive the horses appear to have been totally unacquainted with that business, and from the want of bells, hopples, and other

[1] *St. Clair Papers*, ii, 232–262.

[2] *Knox Papers*, xxviii, 144.

[3] *St. Clair Papers*, ii, 232, 240, and cf. *ibid.*, ii, 238.

[4] *American State Papers, Military Affairs*, i, 36–39, reprinted in part in *St. Clair Papers*, ii, 286–301, and in full in *General Advertiser*, May 10, *Federal Gazette*, May 19, *National Gazette*, May 21 (with Duer's reply), *N. Y. Journal*, May 23, 30, *Newark Gazette*, May 10, 17.

[5] Cf. letters between St. Clair and Ludlow, lately a surveyor (Cutler, *Manasseh Cutler*, i, 442–443), early in August, in *St. Clair Papers*, ii, 23.

> necessaries of that kind, as well as from other gross mismanagement, many of the horses were lost, and others rendered unfit for service; from which causes there were not packhorses sufficient to transport the necessary quantity of flour from Fort Washington for the use of the army on their march; this circumstance retarded the execution of the expedition."

Many causes contributed to the failure of St. Clair's campaign. The troops were a heterogeneous and ill-disciplined lot; the officers were unacquainted with Indian warfare; the season was poorly chosen; the quartermaster-general was incompetent. But a heavy share of the responsibility belongs to Duer as contractor. Inept at long-range dealings in any case, it was impossible for him to devote due attention to this enterprise and at the same time to promote and float a large manufacturing company and to engage vigorously in stock speculations — to mention only his principal interests; and the army suffered.

The congressional report reveals two or three financial expedients which deserve passing mention. In the first place it appears that the supplies for the troops were largely purchased on credit, and that Duer's agent secured some money from the quartermaster on information that lower prices could be got for money payments and that the contractor had not supplied him. Duer replied with evidence to show that he had furnished his agents with funds, but his refutation, though concrete enough, does not wholly contradict the committee's assertion.[1] In the second place, to quote the report:

> "The officers, agreeably to the terms of contract, had an election of drawing the whole of the rations, to which their rank entitled them, or of receiving the contract price of them in cash; the contractor's agents, not being furnished with money for this purpose, gave rise to a general order, by which the officer was directed to receive a certificate from the contractor's agent, called a due bill, of one of which bills the following is a copy:
>
> > "'Due Major H. Gaither, one hundred and seventy-three complete rations, on the route to Miami village, as appears by Mr. Wilson's certificate. MATT. EARNEST, for WM. DUER.
> > FORT WASHINGTON, *November 27th*, 1791.
>
> This due bill issued upon the officer's signing some acknowledgment of satisfaction for his whole retained rations, which acknowledgment of satisfaction forms a voucher for settlement to the contractor, with the treasury

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[1] *National Gazette*, May 21, 1792 (dated May 17).

> department; and the officer is refused payment for these due bills at the pay-office. All casualties by which those evidences of debt become lost or destroyed, are the gain of the contractor, and the loss of the officer."

In view of the rout and slaughter of November 4 and the loss of a month's records which then took place, one must applaud Duer's foresight. In the third place the privates of the "levies" on their discharge were given "notes of discharge" with memoranda endorsed upon them by which settlements were eventually to be obtained. The report states that "the notes were sold for trifling considerations, the real sums due on the notes were various, from ten to twenty-five dollars, and they were often sold for one dollar, or one gallon of whisky."[1] While there is no direct evidence that Duer took advantage of this opportunity for speculation, it would have been strange if his agents did not, probably under his instructions and in part for his benefit.

Probably Duer lost rather than gained by the contracts themselves. It is possible, however, that the sums received from the Treasury Department on account of them, in the spring and summer of 1791, may have aided him in his successful bull campaign in stocks in the summer of 1791.[2]

When Benjamin Walker left for Europe in the fall of 1790 on the Scioto business, he was charged with one other bit of business which reflects no credit on the Scioto trustees. Dated Sept. 11, 1790, a contract was made between Craigie, Duer, Flint, and Walker, whereby 532,267 livres to be received by Walker from the others as trustees, on a bill (or bills) of exchange drawn on Joel Barlow at Paris,

> "shall under the direction of the said Benjamin Walker be employed in such speculations in the debt of the United States or of the several States, as the parties shall judge advisable; that they divide equally the net profits which may accrue from the employment of the Capital."

Losses were to be borne equally, and Walker bound himself to pay over to the others the share of profits within two months after request.[1] There is no evidence that the plan was carried out, and the news of Barlow's failure to meet his drafts was probably sufficient to annihilate it. The intentions, however, are clear enough, — speculation by "insiders" with the funds of the company.

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[1] Cf. Carrington to Hamilton, Dec. 26, 1794, in Hamilton, *Works*, v, 617–618, for similar dealings later.

[2] Cf. Hamilton to Duer, April 7, 1791, advancing $30,000, in *Works*, iv, 147; the second congressional reports give a corrected statement of payments on the second contract, amounting to $5,437.91 before July 23, 1791.

After he left, Walker was asked to undertake the raising, in England, Holland, or France, of a loan on deposit of American funds. Craigie wrote him, saying:[2]

> "You will receive Letters from M^r Low respecting a Loan *in England* which possibly you will be able to negotiate. When he proposed the Business to me it was Duer's advice by all means to unite with him to prevent his going or sending to Europe which might interfere with your views. I therefore engaged to be concerned with him *on the plan proposed* provided it was agreeable to you & you w^d undertake the Business. Circumstances rendered it necessary not to mention Duers name *to Mr. Low* but it is to be understood that if any Thing is done he is to be equally interested with you & myself."

The context strongly suggests that the loan was to facilitate speculation in securities, but it is not clear that Nicholas Low, who was the prime mover, was indulging in this pastime.[3] The troublesome affairs of the Scioto Company and delays in receiving letters interfered with his prosecution of this object, and Walker also felt himself hampered by lack of information from his American associates regarding prices of securities. But he found London quite unwilling to lend on any terms which he considered would be at all acceptable. He wrote Craigie: "I cannot conceive how it could be thought that a Loan might be had here at 5 p Cent on a deposit of American funds. If the people here had such confidence in the [American] funds they would certainly rather purchase them. . . ." From Paris he was informed, while in London on this errand, that neither a loan on deposit nor a sale could be advantageously made, and Walker could not understand a proposition made for "a sale by way of Loan" whereby "the buyer takes on himself every risk of loss & the seller foregoes all claim to Ultimate advantage," which his correspondent intimated would be practicable.[4]

Nor were Duer's fingers burned so badly by the Scioto disaster that he henceforth eschewed land speculations. On the very ruins of the Scioto project he promptly builded another like it, in which his chief partner and collaborator was General Knox, Secretary of War. For years he and Knox had been friends. Shortly after the Revolution, and again in 1790-91, Duer accepted army contracts with which Knox had to do. Possibly unconsciously, Knox helped put through the Ohio-Scioto Company bill in 1787,[1] and it is not improbable that he was one of the "principal characters" of New York who participated in the Scioto Company. In the spring of 1791 they had some intimate financial relations, as appears by Duer's receipt of April 28, 1791 (almost on the heels of his latest army contract), for a transfer of United States stocks as collateral for a demand loan to Knox of $5000 specie and as much more in eighty- and ninety-day notes.[2] Duer was always ready for a new venture, and just now he saw before him a number of persons ripe for land purchases, namely, the French aristocrats who had been disappointed in the west and were eager to lose the rest of their money, as well as others in France who were reported to be ready for American lands even though the Scioto lands were in disrepute. On his part, Knox had something of an itch for speculation, and he was already financially interested in Maine lands. His wife's grandfather had owned the "Waldo Patent," a tract of some one hundred and seventy thousand acres in what is now Waldo County, and of this she had inherited an undivided fifth.[3] Additional purchases in Maine might indirectly add to the value of the Waldo property and directly be "a good spec," as the saying went. Out of this combination of circumstances developed a joint enterprise in lands in southern Maine, in 1791-92.

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[1] *Scioto Papers.*

[2] *Craigie Papers*, i, 102.

[3] On Low, see further in Essay III, 396, and *passim.*

[4] Walker to Craigie, Jan. 12, 1791, in *Craigie Papers*, iii, 54.

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[1] Cf. Cutler, *Manasseh Cutler*, i, 294, 300.

[2] *Knox Papers*, xxviii, 41. Cf. *ibid.*, xxxii, 123, a copy of Duer's acknowledgment under date of July 29, 1791, of the receipt of two "notes of hand" for $2500 each, at thirty and forty-five days, given by Knox for his accommodation, which Duer agrees to take up when due. Knox writes Walker Oct. 7, 1792, these have not been paid.

[3] Knox subsequently acquired the remainder: half of it at public sale, purchased for him secretly by Oliver Smith from the administrators of Mrs. Knox's father's estate, July 1, 1791; the other half of Samuel Waldo, 3d, in 1793: *Knox Papers*, xxviii, 164; Cyrus Eaton, *History of Thomaston, Rockland, and South Thomaston, Maine* . . . (Hallowell, 1865), i, 206-209.

A threat of competition was promptly countered. William Constable of New York, with whom Duer and Craigie had had various business relations and were to have more, had "in Treaty about the same object" as Knox and Duer. But Duer, acting for the pair, expressed their "wish to combine with him to which he agreed," and Duer wrote Knox May 24, 1791, of success in this particular, adding:

> "I therefore have full Confidence that you will make no Arrangements, incompatible with these Principles; I have an Operation which I will Communicate when we meet, that will make the Speculation solid, and productive; but then all Arrangements must be within our own Controul; which they cannot be if others are combined.
>
> "I have not lost sight of the Principal Operation, for which I stand Pledged — This Night the Parties meet; and in a few days; the Instruments will be signed —; If you and Jackson will meet me at Princeton in this or next week, I will attend you on Notice — It is Necessary my Friend, that I should know candidly, how I stand on this Operation with you, and Jackson, that I may make my Arrangements accordingly." [1]

Knox responded May 26, calling a meeting at Princeton Wednesday evening next, and asking Duer to bring Constable along.[2]

On June 2, 1791, after various preliminary negotiations, a contract was concluded at New Brunswick whereby Henry Knox and associates agreed to be jointly and equally interested with William Duer and associates in the purchase of one to four million acres of Massachusetts lands in Maine, at a price of not more than twelve cents per acre, payable in not less than five annual instalments, with discount for early payment and on conditions otherwise mainly as follows: (1) a right to get deeds for all or part, upon giving security for payments and in proportion thereto, if not less than fifty thousand acres; (2) power to sell or mortgage lands to American or foreign citizens; (3) an allowance of a certain number of acres for every foreign artist and manufacturer settled on the lands within ten years; (4) exemption from taxation for ten years or longer; and (5) a five per cent allowance for highways.[3] Of these, Duer emphasized as of

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[1] *Knox Papers*, xxviii, 67.

[2] *Ibid.*, xxviii, 28. The letter inside is misdated *April* 26, but outside is endorsed "To W^{m} Duer, 26 May 1791."

[3] *Ibid.*, xxviii, 82. Cf. *ibid.*, xxviii, 80, for a rough fragment of a draft also dated New Brunswick, signed by Knox, Duer, and witnesses.

"Indispensable Importance" the second and third, as one might expect in view of his international affiliations and his interest in the national manufacturing society.[1]

Each of the principal contracting parties was entitled by the agreement to associate others with himself in such proportions as he saw fit — the usual opening for the expansion of a land company. For various reasons it was desirable to keep secret the identity of the two principals. Accordingly it was arranged that the negotiations with Massachusetts should be conducted by two agents, one representing Knox, one Duer, and that the purchase should be made in their names. Knox's choice fell upon his old friend Gen. Henry Jackson of Massachusetts. Jackson was a witness to the agreement and set out immediately for Boston, "that no time . . . be lost in laying the Foundation of the Agreement."[2] For Duer's representative William Constable and Richard Platt (treasurer of the Ohio Company), both of New York City, were considered;[3] but Royal Flint, his trusted lieutenant and a co-trustee of the Scioto Company, was soon settled upon. Flint joined Jackson at Boston June 15, after the latter alone had surmounted the first obstacles.[4]

From the lengthy instructions given the agents it is clear that the partners sought a virtual monopoly of the best saleable lands of Maine. They wrote:

> "It is more than Probable that Four Million of acres well located will Cover all Considerable Tracts of Cultivable Land, in which Case a Purchase of half would operate as a Monopoly of the whole, and Enable us to fix the Price — You must therefore Use your highest Exertions to obtain on this point the most authoritative Information."

One obstacle was quite easily removed. Samuel Ogden of New Jersey had secured a claim to certain eastern lands which the associates desired, but he promised to write to the Massachusetts authorities relinquishing it, in return for Knox's offer of a handsome grant in the new purchase without any advance payment.[1] The same motive explains several supplementary purchases from individual owners, made later than the principal one, which were to be paid for with drafts on Benjamin Walker, Duer's other most trusted lieutenant, drawn "at as long a Sight," Duer wrote Jackson, "as you can with Convenience." [2]

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[1] Letter of June 5, in *Emmet Collection* (N. Y. Public Library), No. 11011.

[2] *Knox Papers*, xxviii, 81, 82, 84, 87, 100, and Duer's letter of June 5 to Jackson, cited in note 1.

[3] Knox to Duer, June 8, in *Knox Papers*, xxviii, 91.

[4] Jackson to Knox and Duer, June 16, in *ibid.*, xxviii, 114.

The principals further wrote their agents June 2:

> ". . . it has been intimated to us that the [Massachusetts] committee are not disposed in favor of large Purchases — from a Jealousy of Monopoly, and perhaps other Causes — in this Case names may be made Use of [to] obtain the whole Land we want by Different Applications varying in some Instances to avoid Suspecion of Combination — Should an application to the Legislature be Necessary no Time should be lost in securing an Interest favorable to our Object, and in then coming forward with such an offer, as in their present Temper they will Judge Liberal."

The committee did indeed refuse at first to treat with one company for more than a million acres. This impelled Jackson to suggest that for the time Ogden should hold on to his claim; and Knox wrote Jackson June 19: "If M^{r} Flint has gone forward he may appear as the representative of another company, and you may obtain respectable names for a third and fourth." [3] But when Jackson had brought his "every exertion . . . to a *focus*," the General Court directed its commissioners to treat for two million.[4] Knox was eager that four million be secured, but Jackson wrote June 30 that "we should have distroyed the ground we stood on, if we had proposed one single acre more than the two million." [5] After this negotiations proceeded rapidly,[6] and on July 1 Henry Jackson and Royal Flint, for themselves and associates, formally closed a contract with the Massachusetts commissioners reported as being for two million acres for $200,000 (ten cents an acre) in specie, to be paid in eight years, with interest.[1] The purchase was in two parts, one for fifty-two townships east of the Penobscot, a second for upwards of a million acres on the upper Kennebec.[2] At this point, the parties warmly congratulated themselves on their success. A third purchase was later made, at twenty-one cents per acre, which proved, as Jackson wrote later, "a damnable one and big with every disagreeable circumstance."[3] Toward fulfilment of the contract Jackson gave bond for $10,000, a note of hand for $5000, and a note due in February, 1792, for $4500.[4] None of the regular instalments, however, fell due till after the completion of the surveys, eventually in the summer of 1792. On July 25 Jackson and Flint assigned the purchase to Duer and Knox; Jackson remained to be the principal agent in the business, but the utmost care was taken to keep the participation of Knox and Duer a secret.[5]

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[1] Knox to Duer, June 8 ("Secret"), in *Knox Papers*, xxviii, 91; Jackson to Knox, June 4, 6, in *ibid.*, xxviii, 84, 87; Knox to Ogden, June 23, in *ibid.*, xxviii, 134.

[2] Nov. 20, 1791, in *Emmet Collection* (N. Y. Public Library). This relates to three farms on the Taunton River and twelve thousand acres of one Goldsborough, including the seaport, etc. See in *Knox Papers*, xxxii, 2, an affidavit relating to a purchase of nearly fifty thousand acres, at 6d. per acre, by contract dated July 29, 1791, with M. and Mme. de Gregoire, who had in 1787 received from the state a grant including half of Mt. Desert. Concerning this land see *Mass. Centinel*, May 19, June 12, Aug. 18, 1790; George E. Street, *Mount Desert* . . . (Boston, 1905), 128–136; and *Knox Papers*, xxviii, 176, xxxii, 3, 30, 38.

[3] *Ibid.*, xxviii, 81, 122, 126.

[4] Jackson to Knox, June 12, 16, 19, in *ibid.*, xxviii, 100, 114, 124. Cf. in *Mass. Resolves*, July 17, 1791, p. 23, the approval of the report of a committee appointed March 8 for selling western lands to Ogden.

[5] *Knox Papers*, xxviii, 155.

[6] Jackson to Knox, June 19, 23 ("I have neither slumberd nor slept"), 26 ("we

It was upon these lands that Duer now proposed to settle the disgruntled members of the ill-fated Vingt-Quatres. In fertility they were of course greatly inferior to the lands on the Ohio. They were, however, not far from Boston, and they were within easy reach by water of the various American ports and even those of Europe. Duer was generous (?) enough to offer them at the same price, six francs per acre, with four years within which to pay the second half of the purchase money. He undertook furthermore to transport the purchasers, with their servants

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have had great difficulties & prejudices to surmount"), 28, 30, July 3, in *Knox Papers*, xxviii, 124, 138, 143, 147, 150, 155, 165.

[1] *American Museum*, x, App. III, 1 (1791). The contract is in *Knox Papers*, xxviii, 157 (copy of earlier draft), 158 (final draft). A good brief account of the history from this point on is John Francis Sprague, "William Bingham and the Million Acre Tract," in *Hist. Colls. of Piscataquis Co., Me.* (Dover, 1900), 434–437. Cf. Knox's letter to Duer, July 10, 1791, congratulating him "sincerely on the accomplishment of our wishes in Massachusetts," urging the exercise of his fertile brain on ways and means, and appointing July 16 for a meeting.

[2] William Allen, "Bingham Land," in *Maine Hist. Soc. Collections*, 1st Series, vii, 351–360 (Bath, 1876).

[3] Jackson to Knox, July 22, 29, 1792, in *Knox Papers*, xxxii, 16, 30.

[4] Jackson to Knox, July 29, 1792, in *ibid.*, xxxii, 30.

[5] Cf. Jackson to Knox, Aug. 15, 1792, quoted *infra*, 270 n.

and baggage, from New York to the French Bay and to provide them with provisions for a year. He promised besides to furnish them with dairy cattle and to give a year's credit for payment. Finally he offered to construct at his own expense the huts needed for the first arrivals. A company to be known as the *Company of the French Union* was to be formed to acquire them.[1]

Three members of the Twenty-four, Count de Barth, La Roche, and a certain Mme. de Leval, set out for Maine to visit these lands, and the Madame made earnest efforts to win over to the new enterprise two other members, — Lezay-Marnésia and Malartic (who was fighting with St. Clair). The negotiations were not, however, brought to completion in the winter of 1791–92, and in the spring, as we shall see, they were complicated by new factors. An agreement in writing was made between Knox and Duer on the one hand and La Roche and Mme. de Leval on the other, regarding the terms. It was probably on this account that Knox and Duer signed a supplementary contract somewhat modifying the terms of their original one; and when Duer later became embarrassed there was considerable uncertainty as to which of the two would be complied with.[2]

In October, 1791, several German emigrants passed through Boston en route for the Kennebec lands, and more Germans and numbers of Irish besides were reported on the way.[3] Little progress, however, either with sales or with settlement, was made till Duer's connection with the lands was broken.

In the spring and early summer of 1791 Duer aided his former chief Hamilton in drafting a scheme for a model large-scale manufacturing company in New Jersey, Hamilton deserves the credit for originating the plan, but Duer, in all probability, contributed somewhat to its perfection. Certainly the combination into one enterprise of several speculative possibilities must have delighted Duer, and its arrangement may easily be attributed to him: for not only was the company to be free to undertake any sort of manufactures, but it was to enjoy extensive lottery privileges; its stock, with a par of $100, offered nice possibilities for dealings, while the fact that it was payable entirely in public stocks as an alternative to specie linked it up with the general stock market; the right to invest temporary surpluses in public stocks or stock in the new national bank was promising, too; and there was prospect also of gains from enhancement of land values in the town the company was to build and, in considerable measure, own. Eventually the addition of canal privileges furnished still another attraction.

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[1] Carré, *Les Émigrés Français*, 332.

[2] Cf. Jackson to Knox, Aug. 15, 1792: "I never will consent to have you put your name to a paper again, that is to be handed about in the manner that yours and M^r Duer's agreement with Leroche & Madame has been. — I want that paper destroyed, for in your present situation [delicate because of the criticism growing out of St. Clair's defeat] some handle may be made of it": *Knox Papers*, xxxii, 51. Cf. Jackson-Knox correspondence of July–August, 1792, in *ibid.*, xxxii.

[3] *Mass. Magazine*, iii, 655 (October, 1791).

Duer's principal contribution to the foundation of the "national manufacturing society," however, was not in drafting the scheme but in securing subscriptions. Of this operation little direct evidence exists, since it was inevitably done largely by personal solicitation. A few facts may be mentioned, however, which point to Duer's preëminent part. By far the large majority of subscribers were New Yorkers. They included practically all of Duer's speculative intimates, and such was his strength among them that when the election took place a majority of the board consisted of seven New Yorkers, of whom Flint and Walker may be called his first lieutenants, Dewhurst and Lewis his satellites, Macomb soon his secret partner in stock speculation, and only Nicholas Low was independent of him. Duer's election as governor reflects the esteem in which he was held by the board, and the deputy governor, when later it was necessary for him to assume control, excused his ignorance by saying that they had relied on Duer for everything. Over $200,000 in subscriptions were secured in August, 1791, and the bulk of the rest, nearly twice as much, was secured in late November and early December, after the charter had been secured and speculative activities was increasing.

Duer attended the legislative session at Trenton in November, 1791, at which a liberal charter, giving almost all that the subscribers asked for, was granted; and the advantageous terms of the charter are to be partly attributed to his native ability and experience as a lobbyist. During September and October Duer did something toward interviewing applicants for positions as chief artisans in the new establishment and toward directing the investigations of three such who were employed to inspect possible New Jersey sites. Several valuable days in November, December, and January were given to organizing the company and reaching decisions upon vital preliminary matters. Duer took largely upon himself, though with the assistance of a committee of the board, the problem of securing a site, and finally late in the winter engaged one that seemed suitable. The board, at its meeting in January, entrusted him also, "subject to the advice of the Secretary of the Treasury," with the task of expending $20,000 to procure from abroad "in the most confidential manner" forty or fifty hands "skilled in the cotton and printing branches," whose exit from Europe would be prevented by governmental officials if possible. He was to coöperate in planning a $100,000 lottery and was to learn what terms the banks would give for loans.

On the whole it seems clear that Duer's activity was a *sine qua non* of the existence of the "national manufacturing society," from which the Secretary of the Treasury hoped so much; and from July, 1791, to February, 1792, it was among Duer's major interests, perhaps second only to his security dealings. Adequate treatment of this, however, must be left to the next essay.[1]

Evidently the successful promotion, incorporation, and flotation of the New Jersey company stimulated other efforts in the same direction. July 31, 1791, Fisher Ames had written Hamilton from Boston with approval of the scheme and asking, "Have you objection to a similar incorporation in New England?"[2] A definite plan, however, seems to have sprung out of the enthusiasm attending the increase in subscriptions to the New Jersey society, early in December, from some two thousand to over six thousand — mostly, as it proved, speculative subscriptions. At this time an agitation was beginning for a bank in Hartford, Conn. On December 11 Jeremiah Wadsworth wrote Peleg Sanford presenting a plan "to unite a manufactory with the Bank proposed to be established." Wadsworth was a Hartford man, representing Connecticut in Congress. During the war he had served as commissary-general and had been efficient but not too popular. He was a well-to-do merchant and capitalist and was the largest shareholder in the Bank of North America early in its career, being down for one hundred and four shares of stock ($51,600).[1] He was the second president of the Bank of New York, 1785–86,[2] and was a member of the first and second boards of directors of the Bank of the United States.[3] He owned considerable quantities of public stocks and was reputed to be one of the most active purchasers of southern state securities in anticipation of the funding, in January, 1790. He was the chief stockholder in the unincorporated joint stock company known as the Hartford Woolen Manufactory, started in 1788.[4] Altogether he was "one of the most respectable men in the United States," as Brissot wrote in 1788 in his *New Travels in the United States*.[5] Sanford was a local merchant and agent of Wadsworth's in Hartford. He sounded those interested in the forthcoming bank, but found them very noncommital, not being "acquainted with the principles on which the manufactoring Society is formed in Jersey." Sanford himself remarked "that there is no doubt that a manufactory of silk might be carried on to a considerable extent, and a great advantage for the country, I think we can clearly demonstrate," and for this he had another plan of encouragement.[6] Already, however, Wadsworth had taken the matter up with James Watson, a former Connecticut man, merchant in New York, and fellow-director of the Bank of the United States, with whom Wadsworth had intimate business relations.[7] The scheme had been put on paper, and subscriptions, with Duer's effective aid, were being sought.

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[1] See Essay III, esp. chaps. 2–4.

[2] Hamilton, *Works*, v, 475.

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[1] Lewis, *Bank of N. A.*, 135.

[2] Domett, *Bank of N. Y.*, 10, 28, 116.

[3] *National Gazette*, Oct. 31, 1791, Jan. 9, 1792.

[4] See Essay IV, chap. 5.

[5] P. 105.

[6] Sanford to Wadsworth, Dec. 25, 1791, replying to Wadsworth's of December 11, in *Wadsworth Papers* (Conn. Hist. Soc.).

[7] On Watson see W. R. Hopkins, in *Mag. of Amer. Hist.*, xi, 33–35; Domett, *Bank of N. Y.*, 133; *Craigie Papers*, ii, 28, 34; *Daily Advertiser* (N. Y.), Nov. 18, 1791; *N. Y. Magazine*, vi, 126 (February, 1795); and correspondence in the *Wadsworth Papers*. He was elected to the second board of directors of the S. U. M.

On December 18 Watson wrote Wadsworth: "The manufacturing scheme for Connecticut will assuredly succeed if our frnd Duer does not fill the subscription with Speculators," as there was good reason to fear he had done with the Jersey paper.[1] This subscription was evidently primarily for manufactures and circulated only in New York; the plan does not seem to have figured in Hartford at all, and the plan for the bank independent of any industrial activity developed there until a charter was granted in May.[2]

The developments in the stock market during the next three months drew attention away from the Connecticut Manufacturing Society. On March 14, when Duer's affairs were shaky, Watson sent Wadsworth a list of the New York subscribers (forty-one in number), which showed nearly $200,000 subscribed.[3] Of their calibre Watson could not speak highly. He commented: "They are less numerous than I expected but are mostly those who mean a temporary advantage — about

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[1] *Wadsworth Papers.*

[2] See Essay IV, chap. 2.

[3] The list of subscriptions toward "10 000 Shares of 100 Dollars each" appears in the *Wadsworth Papers* as follows:

*James Watson	100	John A Graham	50
*A Craigie	100	V Hauxhurst	50
*Royal Flint	50	White Matlack	50
Melancthon Smith	50	Willett Hicks	50
John D Wakins	50	*Richard Harrison	25
Steuben	50	*[Robert] Troup	25
John Armstrong Jun^{r}	50	R Lenore	50
*W^{m} Duer	50		——
W^{m} S Smith	60	Carr^{d} over Shares	1520
*John Pintard	30		
John Marsden Pintard	50		1520
*John Dewhurst	50	Cornel^{s} Paulding	30
*W^{m} Henderson	50	John Ireland	30
*George Lewis	50	John Bach	20
Arent I Schuyler	25	Lewis Pintard	50
Phillip Schuyler	25	Samuel Pintard	50
Eliahim Raymond	50	Roger Alden	100
I & P Mark	25	Alex^{r} Dunts	30
John Speyer	25	Jn^{o} & Nich^{s} I. Roosevelt	50
Janes & Dole	100	Ann Browne	20
W^{m} W Morris	30	John Hardy	30
Walter Livingston	100	Isaac Whippo	50
			——
		Shares	1980

* At least these were subscribers to the New Jersey society.

one third of them (in number I mean) belong to Duer Pintard & White Matlack — You can judge as well as I of their views in the thing" — which was to say, "speculating for a rise." Six subscribers were clearly of Duer's crowd, and at least ten were also subscribers to the New Jersey society.

After this the plan, for very good reasons, dropped into oblivion. Unlike the New Jersey society, the Connecticut one did not get even so far as to apply for a charter.

In the formation of the Bank of the United States Colonel Duer was naturally much interested. Among the *Duer Papers*[1] is to be found an "Abstract of the Names on which Subscriptions are to be made to the Bank of the United States, by William Constable on account of William Duer," a memorandum showing twenty-five names, including his own, his wife's, those of Robert Troup, Baron Steuben, Christopher Colles, and others less well known, for a total of three hundred and fourteen shares and indicating a payment of $25 per share. On October 21 he was chosen (along with Nicholas Low) to a committee of seven charged with reporting by-laws for the new institution.[2] He was not elected to the directorate, possibly because he did not care for the office, though there were ample reasons why the stockholders should prefer others; but his name appears in an advertisement supporting certain men for that office. Edward Fox, a henchman of his and lately his Philadelphia agent on Scioto affairs, was chosen secretary of the board, possibly on pressure from Duer.[3] John Kean of South Carolina, whose wife was Duer's wife's cousin, became cashier.

There are indications of other interests as well, some merely suggested, some pushed partly through, some completed. Quite possibly one of these was another ship contract, for on June 25, upon his arrival at Havre, Barlow wrote Duer that Daniel Parker at Paris had "made proposals for a contract for the French packets."[1] Certainly several land ventures were considered. James Jarvis, the ostensible party in the copper contract, was informed by Duer about this time that in lieu of an agency for the Scioto lands he might count upon

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[1] Ii, 281. Duer is down for twenty shares, his wife for ten. From the manuscript it would appear that he paid Constable $6600 for two hundred and sixty-four shares, a subscription of Huston for thirty shares and Duer's own being seemingly added later.

[2] *National Gazette*, Oct. 31, 1791.

[3] Cf. Fox's letter to Duer, June 23, 1790, on Scioto business, in *Scioto Papers;* and Fox to Craigie, July 30, 1789: "Will any person in Mr. Duer's Interest be at the Head of the Treasury? Suppose I was to put all my thousand Questions together and ask you if you can do me any service in the Senate, or where else small things are to be given away. I am very poor, and want something. Have you not got some friend near to head quarters who could do something. Ever so little": *Craigie Papers*, ii, 207.

> "being employed to sell a tract of land containing one million of acres and denominated *Cape au gris*, and in which I should be interested, as well as in the Scioto lands, — the latter [evidently referring to the *Cape au gris*] was a snug, neat concern, unfettered, the land as to its legality and quality, superior to any of the Western world. . . ."[2]

During 1788 Duer was endeavoring to secure a farm in Andover, Mass., owned by Peter Osgood, brother of Samuel, which was mortgaged to Samuel and promised to Duer — in return for what does not appear; Christopher Gore was his attorney in this business.[3] In a letter from Seth Johnson to Craigie of Aug. 20, 1791, reference is made to his "Landrights bot of this state in C^o with M^r [Melancthon?] Smith & M^r Duer," for which payment was then being made "in Banckers Certif^s according to Contract — M^r S," says Johnson, "has sold his to M^r D. at 12½ Dollars ⅌ Right. . . ."[4] Possibly this refers to New York "military lands" which the state was selling in this year,[5] and it may be the same property for which a deed of Feb. 3, 1792, is extant, conveying to Duer from the Commissioners of the New York Land Office two thousand acres in the town of Chemung, southern New York.[6] He at least considered a speculation in Illinois lands during the Scioto episode. John Mathews, his agent in Marietta, wrote him in his letter of April

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[1] *Scioto Papers.*

[2] Jarvis statement of Nov. 1, 1790, complaining of Duer's ill treatment, in *Craigie Papers*, iii, 32. It may be that this was the tract for which Flint and Joseph Parker contracted with Congress late in 1789, but never took serious steps to secure.

[3] Duer to Gore (?), probably late in August, 1788, and Gore to Craigie, Aug. 24, 1788, in *Craigie Papers*, ii, 54, 66.

[4] *Ibid.*, iii, 68.

[5] A million and a half acres, described in *Mass. Centinel* of March 2, 1791.

[6] Deed in the library of the Historical Society of Pennsylvania.

5, 1792, that some of the discontented French settlers there had "the Illlinois as their principal object in leaving Gallipolis and having some knowledge of your project of a land speculation in that Country I have told them that it was highly probable their Contracts would be satisfied there if they pleased." [1] But this was effectually prevented by the course of events. Among his assets at the time of his failure were a considerable body of Vermont lands, which had not long been purchased.[2] How much farther his land ventures extended it is impossible to say. Furthermore, in June, 1791, Duer entered into an agreement with William Page and Lewis Morris to take over a large share, or possibly the whole, of a right of canalling the Connecticut River at Bellows Falls, Vt., for which permission was soon to be secured from the state legislature.[3]

This is not intended as an exhaustive catalogue of Duer's undertakings, actual and potential, but it is sufficient to indicate both their variety and their extent. It clearly entitles him to the designation of "entrepreneur," but it indicates what a gigantic task he had to juggle successfully with such a heterogeny of interests.[4]

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[1] *Duer Papers*, ii, 251.

[2] *Knickerbocker Magazine;* John Lovett to Duer, Sept. 20, 1792, Walter Livingston to Duer, Oct. 27, 1792 (or 1794?), in *Duer Papers*, ii, 215, 216.

[3] See letters of James Watson to Jeremiah Wadsworth, May 10, 24, 1792, and of Duer to Wadsworth, May 12, 1792, in *Wadsworth Papers;* and further in Essay IV, chap. 3.

[4] For the Duer-Flint purchase of Baron Glaubeck's pay claim upon Congress, which led to the charge that Hamilton speculated while in office, see Hamilton, *Works* (Const. ed.), x, 54–57. Possibly this is what Constable refers to in his letter to Craigie, April, 1790, in *Craigie Papers*, ii, 234.

CHAPTER VII

THE PANIC OF 1792

THE reaction which followed the flurry of August, 1791, was neither long nor severe. Improvement was marked in October, and by December and January an unprecedented tide of promotion and speculation had risen. In October the $180,000 capital of the Providence Bank was thrice oversubscribed in an hour, and the one hundred thousand shares of the Boston Tontine Association were taken within a few weeks, and then sold above par. In November the million-dollar "national manufacturing society" procured its favorable New Jersey charter, and, soon after, its proposed initial subscription of $500,000 was filled to overflowing. In December $400,000 in the Susquehanna and Schuylkill navigation was quickly subscribed; the Bank of the United States opened for business, with astonishingly large deposits and discounts; and nearly $200,000 was subscribed for the Connecticut manufacturing company. In January the large West Boston Bridge subscription was filled in three hours; the Massachusetts Bank doubled its capital; the New Hampshire Bank was chartered; and a "Bancomania" seized New York City, where several millions were subscribed for three or more new credit institutions. In February the Albany bank stock was oversubscribed, and the New London bank stock filled in a few hours. In March the Bank of South Carolina raised its capital. New toll-bridge and navigation companies budded forth in almost every state, and dormant or slow-moving companies shook themselves and set vigorously to work. Seventeen new corporations were chartered in these seven months, as many as had been chartered in the previous seven years.[1] Real estate, too, especially in the financial centres, soared to unprecedented heights.[1]

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[1] See Essay IV, esp. Chap. I and Appendix B.

Simultaneously England was enjoying great business activity, and canal promotions attained the dignity of a mania. Early in February, 1792, American funded securities were quoted in London at 24s., 14s., and 16s.[2] Enormous speculations were reported. Bank stock reached a high point of 219 in this month, and public stocks, though not quite at the high point of the preceding August, sold well up.[3]

Late in December, in the midst of these developments, William Duer formed a highly significant secret partnership with Alexander Macomb, for speculation during 1792 in the principal securities of the day. The contract, as Duer's copy stands preserved in his papers, runs thus:[4]

> "It is agreed between William Duer & Alex Macomb that they will be concerned in making Speculations in the Debt of the United States, and in the Stock of the Bank of the Bank [sic] of the united States & Bank of New York, to the 31 Dec^r 1792.
>
> "2^d That the Stocks purchased shall be enter'd in the name of Alex Macomb, in trust for himself & W^m Duer.
>
> "3^d That the purchases shall be advised by W^m Duer or in his absence M^r Benj^a Walker.
>
> "4th That the accounts relative to the transactions shall be kept by Alex Macomb — subject to the access & inspection of W^m Duer
>
> "5th That on the 31st Dec^r 1792 all the accounts of the above speculations shall be finally closed & the Profit & Loss equally borne.
>
> ALEX MACOMB"
>
> "New York Dec^r 29, 1791."

Macomb[5] had accumulated considerable property during and after the war — in the fur trade and as a merchant in partnership with William Edgar. He owned the house at 39 Broadway which President Washington occupied in 1790 while New York remained the national capital, and which he had earlier let to the French minister. He purchased from New York a mammoth tract of land, at 8d. per acre, for which he was due to pay £137,000 in six years; in September, 1791, it was reported that he had refused £50,000 for his bargain and estimated the net profits at £250,000. The purchase made him and the land commissioners the objects of public criticism early in 1792.[1] He married as his second wife the widow of a well-to-do merchant, John Rucker. Perhaps in this way, as well as through his own mercantile operations, he established reputable foreign connections with the London house of Phyn, Ellis & Inglis. He was treasurer of the New York Society for the Promotion of Agriculture, Arts and Manufactures, and in November, 1791, was elected a director in the New Jersey Society for Establishing Useful Manufactures. In January, 1792, he was appointed a director in the New York branch of the Bank of the United States. He took little interest in politics, but served as a member of the convention which ratified the federal Constitution, and in 1791 helped audit the accounts of the state treasurer.

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[1] *Amer. Museum*, xi, App. III, 15 (1792); *Providence Gazette*, March 24, 1792.

[2] New York notice of April 4, quoting letter from London, February 8, in *Providence Gazette*, April 14, 1792.

[3] Robert Hamilton, *An Inquiry Concerning the National Debt* (3d ed., Edinburgh, 1818), App. I, § IV. Late in February, however, "one of the first houses in the city" failed for £800,000: London notice dated February 27, in *Newark Gazette*, May 10, 1792.

[4] *Duer Papers*, ii, 245.

[5] Cf. also Essay III, 395–396.

Because of his inexperience in security dealings, Macomb may well have felt surer of success if allied to one with the reputation for astuteness which Duer possessed and to one of Duer's successful experience in such business. On the other hand his own reputation was not tainted, as Duer's was, by an imputation of rashness, over-sanguineness, and a slightly unpleasant odor derived from connection with the Scioto fiasco. He was just the sort of man for Duer to have as a real associate, but ostensibly independent of his connection. And the pooling of the capital and credit, as well as the experience, of the two men made a combination much to be respected.

Benjamin Walker, it will be noted, — the Naval Officer of the port who had lately returned from the Scioto errand abroad, — was the first lieutenant in this business. He may also have embarked some capital in the venture, though not his all. Others of Duer's coterie were drawn into the group, more or less formally; for the crowd came eventually to be spoken of as "the Company," and when the leaders came to grief so also did the followers, like Pintard, Flint, Platt, Dewhurst, and Lewis. Furthermore, for reasons not evident, Macomb associated with himself a stock dealer named Whippo, who had raised himself to prominence in his chosen profession after leaving the humble trade of an oysterman.

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[1] Alexander, *Pol. Hist. of N. Y.*, i, 54–55; *Calendar of N. Y. Col. MSS. Indorsed Land Papers; Mass. Magazine*, iii, 590 (September, 1791); Schuyler to Hamilton, Jan. 29, 1792, in Hamilton, *Works*, v, 493; F. B. Hough, *History of Jefferson County . . . New York* (Albany, 1854), 44–54; and Essay III, 396, note 5.

Evidence is lacking as to the extent to which the partners formulated a definite policy. Rumor had it, at various times, that Duer sought to corner at least the United States six per cents. The purpose is variously stated. Benjamin Rush reported late in March hearing they proposed to sell these stocks to foreigners at a considerable advance.[1] Seth Johnson, writing from intimate observation in New York early in April, 1792, referred to their plan as one "to Command all the floating Stock, create a Scarcity, & oblige the deliverers from a want of the Stock to settle the difference on favorable terms to the receivers;" in short to squeeze the speculators.[2] Samuel Breck, a young Bostonian whose father was one of the great security holders of his town, tells in his reminiscences a tale of contracting at public auction in Boston to deliver $10,000 in six per cents at 27s. 6d., in sixty days, when the market price was but 22s. 6d. Of the outcome he reported:

> "Before many days I was called upon by John Harbach, a broker, who told me that the purchase of the stock was made by his order for account of New York speculators (Livingston, Duer, etc.), who had authorized these contracts with a design of monopolizing all the floating sixes in the market, so as to get their own price for them when a certain instalment should become due to the newly established Bank of the United States, which was payable in that kind of stock. 'But,' continued Harbach, 'the project is too mighty for them; they cannot accomplish it, and I wish to compromise with you.'"[3]

Several reports, however, agree that a corner was attempted.[4]

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[1] *A Memorial Containing . . . Sundry Incidents in the Life of Dr. Benjamin Rush . . .* (Philadelphia, 1905), 134.

[2] *Craigie Papers*, iii, 74.

[3] Breck, *Recollections*, 184–185. Breck accepted $2000. The story probably belongs very late in 1791. An instalment on the Bank of the United States was due January 1.

[4] See also the assertions and insinuations of "Banco," in *Daily Advertiser*, Jan.

The indications are that in the main the associates were bullish. Duer and Macomb were both of a sanguine temperament; Duer was a born bull leader. Moreover, he had successfully speculated on that side before. Stocks had risen so much, why should they not rise more? Foreigners were not merely sending funds and agents to purchase American securities, but loans were being arranged in Europe upon terms which spoke very highly of American credit and would tend to react buoyantly on public funds in the American market. Banks had proved highly profitable, and were being conducted under excellent auspices. Manufactures and highways were attracting prominent support and wide public interest. All these were good bull arguments. Moreover, the condition in which the group found themselves in March and April tends to confirm the view that during this time the group were preëminently purchasers.

In this connection one should observe a letter which Macomb, writing from New York, addressed to "Colº Duer Genˡ Knox's Philadelphia" on Jan. 1, 1792, not long after the partners had been busy together on business of the "national manufacturing society." He writes:[1]

> "I have not rec'd from Mʳ Pintard [an agent of Duer's] the account of the Contracts you made on our joint concern for the 290 Shares New York Bank Stock — but I presume he will make it out for me & deliver them. If you see a certainty of the Coalition — purchase of them as many as you please upon time, or any other terms, so as we can but compass the Payment.
>
> "I think it will be good to buy up a Number of Half Shares in the Bank of the U. S. upon time. — they must rise, as will also 6 ℘ cents. — Anything that in your judgement you think will succeed, you may purchase upon the terms of our agreement. — I wish to know if you understand that neither of us are to make purchases during the year for our private a/c? I make this inquiry as the words of our agreement are general. Walker may be touching the Manufactoring Stock while at Philª if you think it prudent. . . ."

The "Coalition" here mentioned was undoubtedly one between the Bank of New York and the branch of the national bank when about to be established in that city — a plan dear to Hamilton's heart about which Duer could doubtless quietly learn something

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26, 1792, quoted in Essay IV, chap. 2; Hamilton to Short, April 10, 1792, quoted *infra*, 307; and Dwight, *Travels*, i, 219–220.

[1] *Duer Papers*, ii, 247.

while on his visit to Philadelphia.[1] With this in prospect, New York bank shares were doubtless a "good buy;" when, before long, it became clear that no close relationship would be established, that stock called for different treatment. It is significant also that these directors in the manufacturing society were quite ready to "touch" its stock this early.[2]

The connection of the Duer-Macomb-Pintard group with the new banking projects of January was not clear to a close observer on the spot and is not clear to-day.[1] Macomb and a few close to him were the promoters of the "Million Bank" and planned to control it, when the tremendous subscriptions and scaling down of shares disappointed him and he soon withdrew. Pintard helped receive subscriptions and "appeared to advocate the business, and subscribed largely, from a view to counteract it," it was thought. Richard Platt and Walter Livingston were intimately identified with the projects. The warmest advocates, however, were the other Livingstons — Brockholst, J. R., and Edward, chiefly — who were actively speculating on the "bear" side of the market and who were due to *deliver* most of the New York bank stock ("almost the whole") which Duer was to *receive* in May.[3]

It is probable that the Livingstons were chiefly concerned with lowering the price of stocks, especially that of the Bank of New York. The plans of Duer and Macomb, it is likely, were less simple. Possibly they wanted the control of a bank, to promote their speculative deals. Possibly they expected to force the Bank of New York to take them in as the Bank of North America had done with rival groups some years earlier.[1] Possibly they saw here a means of securing state funds for speculative purposes. Possibly they counted upon this move to hasten the coalition between the banks of New York and the United States, which, if accomplished, would surely raise the price of bank stock.

Whatever be the explanation, it is clear that the flotations were primarily speculative, and that Duer's crowd, as well as their opponents in the stock speculation, was concerned in them.

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[1] See Essay IV, chap. 2.

[2] See Essay III, 408–409.

[3] Johnson to Craigie, Jan. 16, 17, 22, 1792, in *Craigie Papers*, iii, 69–71.

In this speculative firm Duer was the advising partner, and the principal financial member as well. He turned in not only his own available wealth, including what he had left of the sums received from the Treasury on account of his recent army contracts, but all that he could lay his hands on besides. The New Jersey country seat of the late "Earl of Stirling," his father-in-law, was sold at auction at the Coffee House February 7.[1] Despite his later protestations, there is little doubt that he loaned from his right hand to his left the bulk of the $10,000 entrusted to him by the manufacturing society for procuring print cloths and workmen from abroad. Some $50,000, practically the entire cash surplus of the society, with the investment of which Macomb was charged, was borrowed at seven per cent, on deferred stock as collateral.[2] Through Walter Livingston, a wealthy up-state member of the well-known Livingston clan and formerly a member of the Board of Treasury, the partners sought to obtain the surplus funds of the state of New York on much the same terms.[3] Probably in the same way they "borrowed the Funds of a Lottery to build a bridge over the Raritan in New Jersey and seventy or eighty pounds of money raised by a charity sermon."[4] Funds were doubtless secured also from the bank on collateral. Duer further borrowed heavily without collateral, either by giving his own notes supported by endorsements from friends like Macomb, Walter Livingston, Richard Platt, John Pintard, George Knox, Isaac Whippo, and one Bush, or by endorsing notes which he got such men to sign. The support of Macomb and Livingston in particular was of the greatest value, for both were reputed wealthy.[5] After exhausting his credit with business associates and friends, Duer went farther afield. His personal notes, bearing very high rates of interest, were offered to the smallest savers. "Allurements were held out to lenders of too tempting a nature for most persons to withstand," wrote Watson to Wadsworth March 14. "Usurious interest became frequent & almost fashionable — Multitudes came to Pintard's office where any sums not less than five hundred dollars were taken at all times from two to four ꝑ Cent pr Month." "Persons of all descriptions," "merchants, tradesmen, draymen, widows, orphans, oystermen, market-women, churches, etc.," "Besides a host of Usurers never before discovered," were interested. It was stated in April that "Duer's Notes for Certificates amounted to Thirty millions of dollars," and while this was certainly an exaggeration, even his friends admitted that they were "a surprising amount."[1]

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[1] See advertisement in *Daily Advertiser*, January, 1792.

[2] See Essay III, 406–408, 415.

[3] "Curiosity," in *Daily Advertiser*, February 18; cf. act of March 14, 1792, in *N. Y. Laws* (ed. 1887), iii, 287–300.

[4] Rush, *Memorial*, 135, and cf. *Newark Gazette*, Feb. 2, 1792.

[5] The Platt-Duer account, as made out by Platt in April, 1792, is in the *Duer Papers*, ii, 257, 261. See also Johnson to Craigie, March 25, April 15, 1792, in *Craigie Papers*, iii, 73, 75; *Federal Gazette* (Philadelphia), March 27, 1792; Rush, *Memorial*, 135. Some indication of the extent of Duer's activities and the methods employed appears in the abstract drawn up by George Knox, covering most or all of 1791, in *Duer Papers*, ii, 258. Notes ranging in amount from $500 to $5500 are listed, in number totalling 80. Of these 44 were drawn by Duer, 17 by Walter

Macomb coöperated in this financing, especially as it concerned the manufacturing society, and he seems to have staked his own wealth completely in the speculation. He loaned his credit to Duer, as well as used it directly by giving his own notes in payment for securities. In spite of this their relationship was kept, with remarkable effectiveness, a profound secret. Macomb, while doing rather less of the financing, was the figure chiefly in the limelight in making sales and purchases, for cash or more often for future delivery, using notes whose maturity by no means invariably coincided with the execution of the contract to deliver. Yet it is highly probable that on occasions other men were used to make purchases for the firm when that policy promised better. Duer kept himself, as usual, very much out of sight, of necessity seeing excitable Frenchmen or his agents on Scioto or army business, but preferring his own choices for con-

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Livingston, 14 by George Knox, and 5 by Charles Shaw. Knox indorsed 42, Duer 17, Livingston 3. Thirty-six were issued in June, 21 in July; 39 matured in July, 20 in August. The inference is that this method proved highly profitable in 1791 and was used on a greater scale in 1792.

[1] Watson to Wadsworth, March 14, 1792, in *Wadsworth Papers;* Rush, *Memorial*, 135; Jefferson to Humphreys, April 9, 1792, in *Jefferson Memoir and Correspondence* (Randolph ed.), iii, 160. Cf. *Watkins* v. *Pintard*, 1 N. J. Law 378, an action on one of these notes, where the plea of usury was supported in a verdict for the defendant.

ferences and quiet consultations with those whom he called. Both men, it seems clear, devoted themselves very largely during these two or three months to their common object, though in January and February they were occupied during several different days with directors' meetings or committee meetings on behalf of the manufacturing society.

To the activities of this group must be attributed a large responsibility for the extraordinary activity in stock speculations during this winter. Their example was contagious; their dealings made a good market; their promotion and support of new corporations furnished new fuel for the flames; their auxiliary financial operations drew funds and attention to the security market. There were not wanting, however, other large dealers independent of them, who were likewise influenced by fundamental forces and far-reaching motives. Most of the Livingstons (probably excepting Walter), for instance, were heavy speculative sellers during these months. From such wealthy individuals the interested parties ranged all the way from those even more astute though less conspicuous than the "heroes" of this chapter to the small merchant tempted out of his line and the even smaller clerk or artisan who dreamed golden dreams of getting rich quick. One of the impressive facts of the day, even more than in the August before, was the way in which all sorts and conditions of men and women became devotees of the stock market, as contemporary letters and newspapers make abundantly clear.

As in the August before, and even to-day, the centre of the stock speculation was New York City. But Philadelphia was a market not to be disregarded, and expresses were reported to be speeding between the two cities, during the height of the activity, as often as two and three per day, or twenty in a single week; and while the New York prices fluctuated more markedly, the similarity in trend of prices in the two cities testifies to the effectiveness of the arbitraging. Boston, though inconveniently distant, was also kept closely in touch with by correspondence, messengers, and agents; and cities elsewhere, like Providence, Hartford, New London, Baltimore, and others, were touched by the contagious fever, even though some of their most eager spirits had gravitated to the chief speculative markets.

In Philadelphia there was a well-recognized coterie of brokers, who congregated regularly in Chestnut Street. The *American Daily Advertiser* of Philadelphia reported March 12:

> "At a large and very respectable meeting of the dealers in the public funds, on Saturday at 12 o'clock — at the city tavern.— Mr Peter Wickoff in the chair — A plan for regulating on honourable and satisfactory principles, all public and private negociations in the funds, were submitted to the gentlemen assembled"

and referred to a committee consisting of Matthew McConnell, Clement Biddle, John Olden, Edward Fox, and Thomas Kelland, Jr.[1]

In New York the brokers were even more numerous, centring in Wall Street. A favorite gathering place was at the Coffee House. On February 6 this advertisement of leading brokers greeted the speculative cohorts, attesting the increase of business:[2]

> "STOCK EXCHANGE OFFICE
>
> "This Day will be opened at No. 22 Wall-street, A large convenient room for the accommodation of the dealers in stock, and in which public sales will be daily held at noon, as usual, in rotation, by the public's much obliged humble servants,
>
> A. L. Bleecker and Sons,
> John Pintard,
> M'Evers and Barclay,
> Cortland and Ferrers,
> Jay and Sutton."

At both places, alongside of private deals, securities were more and more traded in at such public auctions, usually at noon and at seven in the evening.

The large majority of the dealings were on time, with all sorts of complications as to dates of delivery and of payment; and newspaper quotations of auction prices, ticker style, grew longer as well as more complicated up to February, 1792.[3]

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[1] This was before the crash came, but probably nothing was accomplished at once.

[2] *Daily Advertiser* (N. Y.), Feb. 15, 1792.

[3] Typical ones, from the *Daily Advertiser*, February 4, March 7, are printed in Appendix C, 342–345.

Intelligent observers were disturbed at the course of speculation. John Adams, for example, wrote to Oliver Wolcott, Sr., January 30:[1]

> "The public affairs of our country continue to be prosperous, and though some considerable discontent prevails, there is nothing to excite much concern. The sudden accumulation of wealth in the hands of individuals has induced a mania which has led in some instances to an ostentatious display, calculated to excite envy and to recall the unfortunate circumstances under which the evidences of the public debt were alienated, to recollection. This as was to be expected, has induced mad speculations on the part of the fortunate, and ebullitions of discontent from those who have been disappointed. The malignity of one party and the pride of the other will probably be cured by a few bankruptcies which may daily be expected, I had almost said, desired."

Articles in abundance were contributed to the newspapers calling again to mind the Mississippi Scheme and the South Sea Bubble. Satirical essays and verses were printed ridiculing the speculative schemes. Insinuations were made that insiders were speculating in bank stock. And some eager speculators became somewhat cautious in their purchases. A bill was introduced into the Pennsylvania assembly forbidding dealings in futures, and the matter was discussed in Congress and elsewhere.[2]

The success of the plans of the bull leaders depended, of course, on their ability to sell the stock or rights to it at prices above those they paid for it or rights to it, and sufficiently higher to cover their expenses, including heavy interest charges for loans and incidental losses. Disappointment awaited them. Much of their United States securities were procured on time contracts, due in March and April, for prices above 25s., 14s. 6d., and 15s. Cash prices, however, did not rise as they had expected. Contracts maturing in February and early March were fulfilled to the advantage of the sellers. On the whole, prices reached their high point late in January, and from that time, though with many fluctuations, they tended to sag for the next five weeks. A summary of New York prices would be interesting, but is almost impossible to secure. One might chart for each security the different prices named each day, but a chart of cash prices alone is practically impossible to make with the data available and would be misleading as well. For lack of a better summary reference should be made to the chart on p. 210, which shows Philadelphia semi-weekly quotations of United States securities as published in the *Gazette of the United States*,[1] from May 1, 1791, to May 30, 1792.

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[1] George Gibbs, *Memoirs . . .* (New York, 1846), i, 72.

[2] See current issues of *N. Y. Journal*, *Daily Advertiser* (N. Y.), *Boston Gazette*, *Argus* (Boston), *Federal Gazette*, *National Gazette*, *General Advertiser*, *American Daily Advertiser* (Philadelphia), *Brunswick* (N. J.) *Gazette;* R. Platt to S. B. Webb, March 4, 1792, in *Webb Correspondence*, iii, 177.

The first indication of a break came early in March. Cash quotations in New York for March 6–10 were reported in the *Daily Advertiser* as follows:

March	Six per cents	Three per cents	Deferred
6	24s. 4½–5¾	13s. 11¾–9–10¼	15s. 10¾–9¾
7	24s. 7½–6½	13s. 4	14s. 4–3½–5½–5
8	23s. 2½	13s. 2¼–2	14s. 2½–13s. 8
9	23s. 6¼–9¼–9	13s. 1½	13s. 7½
10	23s. 7–3–3½	13s. ¾–12s. 9	13s. 5–5½

About March 9 Duer found himself "obliged to stop payment," as he wrote Wadsworth on the twelfth, "of a Certain Description of Notes, issued by my Agent during my absence, under Circumstances which require Investigation."[2] The rumor of his difficulties was doubtless a factor in the decline in prices during this week. For the moment, however, the importance of the suspension was minimized, and the course of speculation continued. Jefferson wrote T. M. Randolph March 16:[3]

> "Here the unmonied farmer, as he is termed, his cattle & crops are no more thought of than if they did not feed us. Scrip & stock are food and raiment here. Duer, the king of the alley, is under a sort of check. The stock sellers say he will rise again. The stock-buyers count him out, and the credit & fate of the nation seem to hang on the desperate throws & plunges of gambling scoundrels."

Nevertheless by Thursday, March 15, six per cents had fallen to 21s. 4–6d., and deferred were at 13s. 1¾. The shock was sufficient to destroy entirely Duer's ability to raise funds, even to meet his maturing obligations. Worse still, close on the heels of his initial suspension came the institution of a suit on behalf of the Treasury Department — a Brutus-like stab, it must have seemed! This astonishing event requires explanation before its consequences can be related.

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[1] Based upon the table printed in *American State Papers, Finance*, i, 231.

[2] *Wadsworth Papers*. The letter is dated "March 12th *1791*" — the year date clearly a slip of the pen. It is altogether unlikely that Duer had kept closely in touch with the extent to which his obligations were accumulating, but this effort to saddle the blame on his agent must be regarded as a lame excuse.

[3] Jefferson, *Works* (Ford ed.), v, 455.

Duer's apologist in the *Knickerbocker Magazine* puts it thus:[1]

> "he at length became a victim, not so much to his own imprudence and misplaced confidence in others, as to a strange misconception on the part of a subordinate officer of the Treasury, who supposed him to be deeply indebted to the government. This official, finding, upon his entrance into the department, two charges unbalanced in the books against Mr. Duer — one in 1788 and the other in 1789 — for certain *indents of interest* delivered to him, amounting together to two hundred thousand dollars, hastily concluded that the debt still existed. Without inquiring into the nature of the transaction, he directed a suit to be brought against Colonel Duer to recover that sum. . . . The *indents*, upon which the fatal suit of the government was founded, appear to have been delivered to him while Secretary of the Treasury [Board], for confidential purposes, shortly before, and immediately after, the organization of the government under the new Constitution; and, from the nature of the case, either no vouchers were taken, or, if taken and preserved, they were rendered personally to the President or Secretary of the Treasury, at periods subsequent to the transaction; and, if ever deposited in the department of the latter, they must have been destroyed in some of the conflagrations of the Treasury buildings. Upon either of the former suppositions, it is easy to account for the omission, in the books in which the charges were made, of the objects to which the securities in question were to be applied. Upon either of the latter, it would be difficult."

The version of "the subordinate officer of the Treasury," who was no less a person than Oliver Wolcott, Comptroller and therefore second only to the Secretary himself, appears from Wolcott's official letter of March 12 to Richard Harrison, United States district attorney in New York. He writes:[2]

> "I herewith transmit a statement of Indents of Interest delivered by Michael Hillegas, Esq. late Treasurer of the United States, to William Duer Esq. late Secretary of the Board of Treasury, and Copies of the vouchers in support of said statement.
>
> "The engagements of a private nature which have engrossed M^{r} Duers attention, have so long delayed the settlement of his public transactions, that my official duty compels me to call upon him in a way which I have

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[1] XI, 101 (August, 1852).

[2] Copy in the *Wolcott Papers* (Conn. Hist. Soc.), vol. xxvi, from papers in the Treasury Department. Harrison was even then Macomb's counsel: Johnson to Craigie, April 15, 1792, in *Craigie Papers*, iii, 75.

sincerely wished to avoid. — but as matters are circumstanced I feel constrained to request you, immediately on the Rec^{t} of this Letter, to notify M^{r} Duer that it is expected that he either come immediately to this City and settle his accounts, or pledge unexceptionable security, by a deposit in your hands of public Stock with a power to transfer to the United States, or personal bonds to your satisfaction, for the balance as stated. If none of these conditions, are complied with on his part, you will forthwith institute a suit against him, by such process as will in the most efficient manner permitted by Law, secure the public from any possible loss — regarding at the same time all that delicacy in the mode of conducting that business which can be reconciled with a scrupulous attention to the public Interest.

"As Mr. Duer has other public transactions to settle,[1] it will be necessary that the suit be so instituted as to relate only to the particular articles contained in the enclosed statement, so that no legal impediment or delay may arise from the measures now to be adopted, in case it should be found necessary to institute other suits respecting other transactions.

"You are requested to acknowledge the Rec't of this Letter, and to inform me what means have been taken with respect to the cases of Mess^{rs} Jarvis & Flint."

On March 17 Wolcott sent further "a Copy of a Rec^{t} for certain forms of new uniform money for which he is also indebted" and requested they be included in the action begun. The precise sums were later stated at $203,150 in indents of interest, and $36,773.72 of the new emission money of different states.[2]

In short, the fact was that, with characteristic procrastination, Duer had suavely postponed either the settlement of his accounts as secretary of the Treasury Board which went out of existence in the summer of 1789, or else the explanation of portions of those accounts which clearly demanded explanation; and, while one would rather accept the latter view, Duer's own actions later seem to indicate that the former is the true one. One need not charge him with malversation, but at best he was guilty of slovenly neglect of a duty as a public officer. It appears further that the request for an accounting was neither new nor hasty. Only the insistent pressure for it was now precipitated. Wolcott and his superior, Hamilton, are to be criticised for letting the matter lie open so long; and it is clear that Duer's friendly standing at the Treasury led to a laxity here which deserves naught but condemnation. Wolcott reiterates his regret that the step should be necessary. On March 21 he wrote Harrison:[1]

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[1] Referring doubtless to the army contracts and perhaps also to the affair of the warrants: see *supra*, 191–192.

[2] Declaration of Harrison in the suit, April and October, 1793, as cited in House Report 133, 29th Cong., 1st Sess. (1846).

> "No person can be less disposed than I am to increase his misfortunes, yet when I consider the nature of his engagements to the public, the repeated assurances which I have personally recd. and the embarrassments which I am expecting, in consequence of his failing to perform his promises I feel no inclination to neglect my duty & sacrifice my character on his account —"

Evidently Wolcott had got wind of Duer's shakiness and thought to save his own skin by striking before the fall came.

Even so, Duer had advance news of the impending intention to enter suit. On the eleventh he wrote Hamilton beseeching his influence to avert it. A letter from Jeremiah Wadsworth, the Hartford congressman-entrepreneur in Philadelphia, reached him on the morning of March 12, inquiring into the rumor of his suspension and apprising him of the Treasury actions impending. Duer immediately replied:

> "I pledge my honor to you that, my affairs so far as they relate to the Public, are in no degree Involved [sic] my Affairs — My Presence however I find by your Letter is become absolutely necessary at Phila — I will therefore whatever may be the Consequences fly from this Place at Eleven o Clock to Morrow till when, my dear Sir, Let me Entreat all your influence to prevent any Suit being brought."[2]

Duer undoubtedly set other wheels in motion as well. Wolcott mentioned to Harrison on March 17 that "Several gentlemen have written to me on the subject of Mr Duer's affairs and have suggested the expediency of a suspension of the public claims against him." All was in vain. Hamilton wrote him in all earnestness on March 14,[3] — for Duer had not succeeded in flying to Philadelphia:

> "Your letter of the 11th got to hand this day. I am affected beyond measure at its contents, especially as it was too late to have any influence upon

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[1] *Wolcott Papers*, vol. xxvi. Wolcott's sincerity need not be doubted. Yet it is worth noting that he had been a classmate and friend at Yale, and was still a correspondent, of Joel Barlow, whose relations with Duer had turned out so painfully, and whose bitter criticisms of Duer had before this certainly reached Abraham Baldwin, another Yale man and brother-in-law of Barlow, who was now representative from Georgia. Cf. Todd, *Joel Barlow*, 8, 111–112, and *Barlow Papers*.

[2] *Wadsworth Papers*. Letter dated March 12, 1791 (properly 1792).

[3] Hamilton, *Works*, v, 498.

the event you were apprehensive of, Mr. Wolcott's instructions having gone off yesterday.

"I trust, however, the alternative which they present to the attorney of the [government], and the discretion he will use in managing the affair, will enable you to avoid any pernicious *éclat*, if your affairs are otherwise retrievable.

"Be this as it may, act with *fortitude* and *honor*. If you cannot reasonably hope for a favorable extrication, do not plunge deeper. Have the courage to make a full stop. Take all the care you can in the first place of institutions of public utility, and in the next of all fair creditors.[1]

"God bless you, and take care of you and your family. I have experienced all the bitterness of soul on your account which a warm attachment can inspire. I will not now pain you with any wise remarks, though if you recover the present stroke, I shall take great liberties with you. Assure yourself, in good and bad fortune, of my sincere friendship and affection."

No reply, or at all events no satisfactory reply, seems to have been forthcoming to Duer's further frantic entreaty of March 18:[2]

"For Heaven's sake use for once your influence to defer this [suit] till my arrival — when it will not be necessary — My public transactions are not blended with my private affairs. Every farthing will be immediately accounted for. . . . If a suit should be brought on the part of the public, — in my present distressed circumstances — my ruin is complete."

Wolcott, too long negligent, was obdurate. Writing March 17,[3] after mentioning the influences exerted in Duer's behalf, he said:

"under the special circumstances which attend this business, of which the gentlemen could not be acquainted, I consider his obligation to fulfill his engagements to the United States as superior to all others. I can not consent to a suspension on any other terms than I have stated."

Answering Harrison's letters of the sixteenth and seventeenth, he wrote on the twenty-first:[4]

"To compel Col Duer to surrender certain important papers which remain in his possession,[5] and to make such disclosure of his transactions while with the Board of Treasury as will enable me to settle the public accounts, & save the United States from improper demands, are my principal objects

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[1] Note the more elaborate letter of advice on this matter, dated May 23, and quoted *infra*, 317–318.

[2] A. M. Hamilton, *Intimate Life of Hamilton*, 272.

[3] *Wolcott Papers*, vol. xxvi.

[4] *Idem.*

[5] This may refer to the papers which became the basis of the Reynolds charges of speculation aired against Hamilton a little later. Cf. *infra*, 312–313.

— whether this is done by himself or by an agent is indifferent — if Col. Duer cannot come, he can employ M^r Hardy who knows or can be informed how to settle the accounts — if he will do neither, it is my wish that you cause him to be immediately arrested, the consequence however distressing will not by just men be imputed to me.

"Col Duer has very extentive transactions which are at present inveloped in so much mystery that no precise statement can be made. I wish for your opinion, whether in case a general statement is made, the best which present circumstances will admit, a suit can be instituted so as to secure the public, the particulars of the demands to be made out hereafter.

"It will in my opinion be for the public interest and the most friendly act to Col Duer to impress his mind with the absolute necessity of coming here or employing M^r Hardy. If the latter mode is adopted M^r Hardy ought to be vested with powers to make a settlement which will be binding on Col Duer."

Nor was Duer alone thus involved. His faithful lieutenant Flint had not yet satisfactorily settled his accounts as commissioner for settling the war accounts of the eastern states — a job for which he probably had Duer's influence to thank [1] — and on March 21 Wolcott notified Melancthon Smith of New York, one of Flint's bondsmen, that suit had been entered against Flint and that $20,000 would probably be recovered on his bond.[2] Here also is evidence of a too long-suffering Treasury Department.

Of the suit more anon. Without doubt the news of the litigation adversely affected Duer's situation, but he was bound to fail in any case. And his failure precipitated a sharp, though brief, financial panic, — the first justifying the name which New York had yet known, — a disturbance beside which the break of the August before was but a flurry.

As early as March 14 James Watson wrote Wadsworth that Duer's desultory movements were exasperating the lower class of his creditors, who might "if not timely appeased, . . . rise to extremities." [3] On March 21 Seth Johnson wrote his partner Andrew Craigie, who was temporarily in Boston: [4]

"Since my last the market has experienced a shock which alarmed everyone — on Monday [March 19] ½ shares [half-paid shares in the Bank of the United States] fell from 65 to 45 [per cent advance above par] 6 ⅌ Cts from

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[1] *Journals of Congress*, xii, 151 (Sept. 20, 1788).

[2] *Wolcott Papers*, vol. xxvi. Cf. the mention in his letter to Harrison March 12, *supra*, 291.

[3] *Wadsworth Papers*.

[4] *Craigie Papers*, iii, 72.

20/9 to 18/9. 3 ⅌ Cts to 11/6 & Def^d to 12/. — I cannot describe to you the serious effect this great & unexpected depreciation of the moment occasioned — The cause of it I believe was more owing to the quantity of stock thrown in for the purpose of lowering the price, than to the immediate pressure for money — I believe the L–ns have by their operations injured the market very materially — they have been for some weeks Constantly selling on speculation. — Things were so serious that a committee was chosen by the Dealers to wait on the Directors of the two Banks — in Consequence of which a conference took place — but as the Branch is not in operation nothing could be done by the Directors of it — The Bank of New York will render all the aid in their power — but it Cannot amount to any new discounts, or a total stoppage of a weekly diminution of old discounts — It has however been productive of some good, for the Dealers have by a resolve this Day declared that after the 21st April, they will not buy or sell any Stocks at auction — This measure seems to be generally approved of — The Secretary came forward in Phil^a on Monday Ev^g to purchase — this has given a new face to things and revived the desponding spirits of every one — half shares rose last Eveng. to 55 ⅌ Ct 6 ⅌ Cts 21/ @ 21/6 Def^d [blank] 3 ⅌ Cts 12/ @ 12/2. It is to be hoped the present difficulties will be surmounted. . . . Stock will rise after the middle of the month it is supposed — Duer comes forward on Saturday next — I much doubt his paying immediately his notes for money borrowed."

But on March 23 Duer went to jail, not altogether unwillingly, and next day, instead of "coming forward" with a financial statement for his creditors, he published this handbill from behind the bars:[1]

"To the holders of engagements under the signature
of the Subscriber.
N. Y. Prison, Mar. 24, 1792.

"It is with regret that the subscriber finds himself disappointed in bringing forward to his creditors, on this day, such specific proposals for the ultimate redemption of his debts, as he had once reason to expect.

"At a meeting of a number of gentlemen (all of whom stiled themselves his friends, amongst whom were some really so) it was thought advisable to postpone the publication of the plan he had in view, till it was supported by them in such a manner as they conceived most likely to ensure success.

"But (the causes of such change it is not necessary to detail) the malice of open enemies and the insidious insinuations of pretended friends, have chilled the first glow of benevolence; and left to the subscriber the guardianship of his own fame, and that of the interest of all his creditors. A sacred trust! which the subscriber pledges himself to discharge with fidelity and honor.

"In this view it is proposed by him as follows:

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[1] I quote from the copy printed in the *National Gazette*, March 29, 1792. It was widely copied in the gazettes of the day.

"1st. That he will within 9 months, computed from the present date, (or sooner if possible) make a settlement of all his concerns, point out the sources and amount of his losses, and constitute an adequate fund for the ultimate redemption of the principal and interest of all his debts.

"2nd. That this fund shall be so formed as not to place it within his own reach, to divert it from the objects of its destination.

"3rd. That he will make prompt arrangements for the reimbursement in the first instances, of all advances made by distressed widows, or orphans, mechanics or tradesmen, to whom any considerable delay would operate as ruin.

"4th. That till the above objects are effected the walls of a prison shall secure that confidence which, he feels, might have been placed in his honor.

"5th. That trusting to time and a conscience void of intended injury for justification, he at present leaves to his enemies the cruel triumph of sporting over his afflictions, and to a generous people who may still be mindful of his public and private services, the protection of a virtuous wife and innocent family.

WILLIAM DUER."

Seth Johnson wrote illuminatingly from New York to Andrew Craigie on Sunday the twenty-fifth:[1]

"I wrote you in my last [March 21] that Duer was to come forward yesterday — but on friday he was arrested & sent to prison — the inclosed address was printed yesterday, & has had some effect in softening the minds of the people — I confess I have but little hopes that he will ever be able to do anything — What he has done with near half a million of cash is astonishing — among the many who have lent him are A Robertson it [is] said 80,000 — Mr Leake 30 000 — H Cruger 8 or 9 000. — N Cruger as much — Miss Beekmans 15 000. — old Simmons 7 000 — Clason 5 000. Dr Bard 2 000 — besides shopkeepers, Widows, orphans — Butchers, Carmen, Gardners, market women, & even the noted Bawd Mrs Macarty — many of them if they are unpaid are ruined — Pintard has gone off, without clearing up his character, & from all appearances he has been a perfect swindler — he has induced many to sell Stock, or lend money for Ds notes & his endorsements assuring them he was secure in having property in his hands. — he has put up Stock Transferable at certain periods for cash down — received the cash. & never transferred the Stock — & I believe has gone off with a very considerable amount of a mans property whose agent he had been — of this I can say more in my next, it is Templemans. I mention it in confidence — besides which I am afraid Templeman has been led into speculation at high prices in consequence of Pintard's advice — Bush who has been a great borrower & endorser for Duer is in prison — Knox another borrower & endorser has absconded — I am afraid that Aldĕn & Flint by their endorsements are very much involved — W Livingston refused to take up a note with his endorsement yesterday, tho' it is said he is secure in all he has done, besides his own property — people cry shame upon him, &

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[1] *Craigie Papers*, iii, 73.

will shew him no mercy — Duers going to prison may be his protection, much has been said of mobbing him by the lower classes to whom he owes money. Platt I imagine must among many others be a considerable sufferer by Duer — You will observe that all this business is perfectly unconnected with Macomb's [!] — all his engagements are punctually complied with — yet I believe if Macomb & his foreign Connections get out of this business, they will have had enough of speculation.

"Whippo is a great endorser of Duer, & I should not be surprized to hear of his being arrested tomorrow. — In short everything is afloat & confidence destroyed — This Town has rec^{d} a shock which it will not get over in many years — happy is the man who is far removed from the confusion & distress that prevails — Men look as if some general Calamity had taken place — yet among us are some who are preying upon the distressed, by depressing the market as much as they can, — at such a time as this how much more honorable it would be to endeavor to relieve instead of adding to the distress — . . .

"I am happy you are secure for all your claims against D — I consider him as a ruined man past redemption — . . ."

Walter Livingston, closely allied to Duer, announced on March 26 his inability to meet punctually the notes which he had endorsed for Duer. On April 17 he published a statement that his dealings had not been "in the line of speculation," but that relying on a long intimacy with Duer he had endorsed freely for him, to find his securities short by $100,000.[1] Considerable orders from abroad for purchases of six per cents at 22s. and even 24s. arrived late in March or early in April, but they were conditioned on the sale of bills at par, and, as Seton wrote Hamilton March 26, "the present consternation and want of confidence in each other, have reduced bills to 10 per cent. under par, so that the orders cannot be executed."[2]

Benjamin Rush entered in his *Commonplace Book* March 30, after recounting some of the happenings:

> "By these events a great and universal demand was created for money and many persons in New York and Philadelphia gave from 2% to 8% for temporary loans of money and some 1% per day to make good their engagements to the different banks."[3]

Johnson wrote Craigie April 1[4] of

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[1] *Federal Gazette*, March 27, April 19.

[2] Seton to Hamilton, March 26, April 4, in Hamilton, *Works*, v, 500–502. Cf. Noah Webster to T. Pickering, March 31, telling of his embarrassment for want of money due to the low price of bills following Duer's failure: Ford, *Noah Webster*, i, 311–312.

[3] Rush, *Memorial*, 136.

[4] *Craigie Papers*, iii, 74.

"the extreme scarcity of money & the general distrust, & derangement in the situation of almost every man in this place. . . . It would be a difficult task," he said, "to detail to you the situation of this Town — you are in my former letters informed of the principal failures in consequence of Duer's. . . . I am fearfull he cannot, or he means not, to do well — he gives his creditors no specific statement, but assurances in abundance — entre nous I doubt his ever doing any thing of consequence — inumerable are the sufferers by his failure — our friend M[elancthon] S[mith] is as you fear affected — he is in for endorsements to the amount of 20 000 Dolls. . . .

"Flint is I believe a ruined man — he means first to provide for the payment of all his own debts, & to give the residue of his property up on a/c of his endorsements, the extent of which may be 1 or 200000 dollars![1] — a Young brother of R Platt has stopped — it is said he in C° with Henry Aborn (who used to live with Flint) have contracted to receive 3 or 400 New York Bank Shares from 50 to 60 ⅌Ct — purchased 3000 Tammanial scripts, & a large amount of other Stocks — I mention this as one among many instances of that spirit of gambling in the funds which has prevailed — Never was this Town in such a state of danger as to failures — The present Month is dreaded, as would be some general Calamity — In order to avoid the evil which it is expected will arise from attempting to fulfil the existing Contracts, it was talked of yesterday to annul them all — A measure of this kind would operate unequally — yet it may come to it at last — On the existing Contracts with Macomb & Whippo everything now rests — They are already in possession of a large amount of property payable at different periods — The failure of Duer, & the stoppage of W Livingston, the low price of Stocks & the destruction of Confidence have combined to defeat their original plan — . . . but so Completely is the whole system Changed, & so averse are people to place their property out of their hands, & hazard the issue of such immense operations, that the prospect is unfavorable to all parties — To morrow the C° (say M & W) were to receive 500 000 Drs 6 ⅌Cts, payable in 60 Days — on the 15t Apl a large Amount More Paya & Deliverable — besides half shares. Defd & 3 ⅌Cts to a great amount — They have purchased Deliverable down, half shares & other stocks at high prices, paya on time — also half shares from 112 to 120 p & D — they sold to the amount of 800 000 Drs paya from the 1st to the 15th Apl — this money is to pay for their 6 ⅌Cents on the 15th — An objection will arise on the part of the Deliverers on Monday to the notes to be offered, which will be Whippo endorsed by Macomb — which will not be considered accordg to contract an approved note — The consequence will be, if the C° will not give any other, or Consent to the Stock being deposited in some persons hands as security, many will not Deliver but pocket the loss tho' very great — From the language of the C° they will avail themselves of this circumstance, & not receive the 6 ℔Cents & half shares which are D & p. — assigning as a reason non compliance on the part of many to Deliver, & a consequent derangement of their plans — Were I to hazard an opinion this is what they wish — Many have already offered to take back their Stock, & Cancel all contracts — L Bleecker is one, the loss to him whould be from 17 to 20 000 Drs — G Lewis another — Ward & Brothers — we have offered it — we were to deliver on Monday 20 000 Drs 6 ℔Cts pay^{t} &c — *but shall not do it* — neither will either of the persons I have mentioned — . . . I wish we had back all our Stocks tho' the loss would be 10 or 15000 Drs — If the Contracts yet to be complied with are not — M & W. will make Money — They have not said they could not give back to such persons as wished it — on Monday I presume we shall know — If as I suppose the Contracts are not complied with, I shall feel perfectly easy as to the punctual payments of such notes as are now out for Stock delivered them. — Macomb says if people will comply with their contracts, he will *perform* every one on his part. — . . . Stocks Cannot rise for some time — & for many years will not be as they have been — it is now demonstrated that the late rise was too great & too sudden. . . ."

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[1] See Flint's advertisement regarding notes endorsed for Duer, in *Daily Advertiser*, March 27. Flint admitted to Craigie March 28 that he was sustaining "singular inconvenience" by Duer's suspension, "an event which makes us all look serious," and that his "situation with respect to Mr D" had shaken his credit, and asked that "some substantial friend" should "prop" him to the extent of his forthcoming share, about £3000, of the benefits of Craigie's land speculation with Robert Morris: *Craigie Papers*, ii, 38. The speculation was the so-called Gorham and Phelps Purchase.

Watson wrote Wadsworth April 3:[1] "Duer's affairs have created a distress so extreem & universal that all my efforts have been to aid the most necessitous & prevent the multiplication of failures," and reported himself unable to cash a small order of Wadsworth's. The same day another private letter from New York ran:[2]

"The confusion still increases in New York, and I expect to hear daily that they have broke open the jail and taken out Duer and Walter Livingston, and hanged them; the most prudent of those who have failed have run off, and I think we shall have much such riots as there was in London in 1780. Pierre de Peyster, when Duer failed, went to him with a brace of pistols, and, after getting him alone and locking the door, told him that he might as well lose his life as his money, and that if he did not pay him directly he must fight him: and pulling out a pair of pistols told him to take his choice, for that one of them should never go out of the room alive if he did not get his money. The gallant Colonel thought it most prudent to pay the 1,500 dollars and get rid of the Tory. You may form some idea of the generality of this business when I tell you John Johnstone told me he did not think Duer would get a single lawyer in New York who would dare to undertake his cause, a jury that would find a verdict, or a judge that would recommend them to bring in any of his transactions of an usurious nature. Cash is so scarce, I have been offered five per cent. a month, and to have any sort of publick securities lodged in my hands to make me safe, and as for confidence there is no such thing, not a grocer can get credit for a hogshead of sugar or a puncheon of rum."

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[1] *Wadsworth Papers.*

[2] Jones, *Hist. of N. Y.*, ii, 589–590.

April 6, Benjamin Walker wrote excusing the absence of the New York members from the important April meeting of the New Jersey manufacturing society, "That in this critical moment when every hour brings its misfortunes and the property of every man at hazard, none of Them can possibly leave town."[1] On April 9 William Seton, cashier of the Bank of New York, wrote his friend the Secretary of the Treasury:

> "everything still is going down Hill — the extent of the evil, or the amount of Contracts &c, it is impossible to form a judgment of but I understand from everybody that this week will be the most distressing period of any. . . . The Bank continues to discount twice a week on a Deposit of Stock & has very considerably by this means extended its loans — but so many failures are daily happening that I fear many of our old Loans are in jeopardy — . . .
>
> "The whisper of the day is very unfavorable, for should the report be true that M^r M— [Macomb] cannot or will not comply with his engagements, the distress already experienced is but a trifle to what is yet to be expected."

Two days later Seton wrote that Monday the fifteenth bade fair to be the day of greatest distress.

> "What is called here the Company, of which M^r Macomb is the ostensible person, have on that day to take Stock or pay Difference on half a Million — if they do not comply all their Contracts are a float, & the sacrifices must be very great — if they only pay the difference & dont take the Stock, these may be calculated at the rates that the distress will cause the price of Stock to be at, which will go near to one third [?], — so that it is of infinite consequence to the Community that the Company should not be too much oppressed if they mean to comply with their Engagements, or that the Public should have immediate relief, if they do not mean to comply, — therefore if it were possible that I could go into the Market for you in force that day, and that was known I should do so, it would in all probability save the City from utter ruin, perhaps such a day may never occur again — . . ."

Similar tidings reached Hamilton from Nicholas Low, who wrote on April 10: "I fear Macomb will not be able to go thro' all his Engagements if he stops an almost universal stoppage of payment will ensue"[2]

On April 11 "a list of twenty-five failures in the city of New York" was circulated in New London, Conn.[3] The same day, from jail, Duer addressed a pathetic appeal to Macomb:[4]

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[1] Essay III, 411. [2] Letters in the *Hamilton Papers*. Cf. Essay III, 411-414.

[3] *Federal Gazette*, April 27.

[4] *Mass. Hist. Soc. Autographs, Statesmen and Orators*, 43.

> "I now send the Bearer for the Sum, you have so often Promised I should have — & which I again assure you (whatever Impressions may be made on you to the contrary), is Essential to preserve the Peace of the City, and to prevent the Industrious and Malignant Efforts of our Enemies — when you left me you again assured me it should be sent — in Consequence of this I have, repeated the same assurances, I have given these three days past — For Heavens' Sake, for your own, if not for Friendship for me — Send this Sum — As for the Entry it need not be made; I will be personally Accountable to you; and [in] the Course of a Fortnight shall be able to make Arrangements to Return it — Do not, again, let the Bearer Return without the only thing Needful — with this aid all Violence can be prevented; without it it is absolutely Impossible — and of this I solemnly Warn —"

This was not joking, for popular feeling was exceedingly tense. But Macomb himself went to the wall next day and soon joined Duer's secure insecurity in prison. A writer in the New York *Daily Advertiser* of April 12,[1] who claimed a hearing on the ground that he

> "has never possessed property enough to be subject to become a ruined citizen; — who has never dealt in the funds; who is quite unaffected by the present calamitous condition of speculative affairs save by the misfortunes of his friends who are concerned," noted: "It is obvious that a general horror has occasioned a general torpor, and indecision among the dealers in stock. The failure of Mr. Duer has laid the foundation of others, which affect the community in a manner never experienced in this country before. The fulfilment of individual engagements is not only suspended, but private and public confidence has received such a blow as may eventually stagger the stability of government."

And he follows up a detailed suggestion of a procedure which should be taken, by the statement: "I cannot hesitate saying, that the peace of the city, in my opinion, depends on this measure," as also the safety of the three chief bankrupts, — Duer, Livingston, and Macomb.

A New York correspondent, writing April 14, was quoted in the *General Advertiser* of April 17:

> "Never . . . were such times of general distress known in this city. The failures have been more numerous than any one expected, and the consequences more calamitous. What will be the final issue of this business, or when it will take place, no one can predict. It will, probably have a sad effect upon the improvements of the city, and put a stop to the vast number of

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[1] Printed in the *General Advertiser*, April 17.

buildings which were intended to have been erected. The prospects, instead of brightening, seem to grow more obscure."

Peleg Sanford wrote Wadsworth April 15: "The failure of M^r Macomb & Whippo has involved this City in a scene of distress beyond description and has occasioned a great & rapid fall of every species of Stocks." He quoted six per cents at 19s. 6d., threes at 10s.–10s. 6d., National Bank shares at par! Benjamin Rush noted in his *Commonplace Book* April 14 that several failures "happened this week in Philadelphia, as J. M. Taylor, Summers, etc." [1]

Colonel Talmage, in a letter to Wadsworth April 19, reported:

> "M^r Walker has delivered in to M^{c}Comb's Creditors an Estimate of his Affairs making the moderate sum of 1.583.000 Dolls Due from him & to receive the Sum of about 900.000 — To accomplish this payment, he has
> 683.000
> exhibited a number of funds consisting of bills, Merchants Notes, Stock, half Shares, Money &c amounting to about 400.000 —"

Johnson wrote Craigie of this April 15 and continued:

> "The great *estate* of M^r M. appears to be worth about £30 or £40 000 according to his ideas, this is not included in the 900M doll^s — The Indiaman, appears it is said to be M^r Edgars. The house in Broadway M^r M^s Brothers — The great Land speculation owned by Macomb McCormick & Constable — It is impossible to say what the private estate may be, or may be made to be — I have no idea of a dividend of more than 8/ possible of 10/. if the estate is well managed — Whippo has gone off — a reward is offered for him, & a number of persons gone in pursuit of him — it is supposed he has taken a great property with him — such a scene of swindling never was acted before — Macomb has damned his reputation, & Considered as very instrumental in producing the ruin which has fallen upon this unhappy place — It was Walter Livingston, & himself that gave Duer a credit, which without them he never would have had — It is to them may be imputed, in assisting the wicked views of Duer, the destruction of confidence, & property —- on their heads will fall the curses of many a family who from affluence are reduced to beggary — . . . Duer (villain as he is) I pity — his situation in prison to him must be painful indeed — not from remorse for I fear he has none — but from expecting that attempts will be made to take him out & massacre him — this has been talked of, & he has rec^d many threatening letters. . . . I am confident that there are many who would cut him in pieces could they get at him — he is considered as the wicked author of the ruin which his conduct has produced — his delay in coming forward seems but to convince the world of his want of inclination to do justice to himself & others. His days will end in misery. Platt, Lewis, B

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[1] Rush, *Memorial*, 137.

L[Livingston] J R L[Livingston] & E Livingston, Verplanck, Dewhurst, J & Nich^s Roosevelt, L. Bleecker, G. Storer. (I believe Alden), — Carter, Rob^t Stewart. E. Parker & C^o — Martin Hoffman — B Seixas. S Ward & Brothers. Jacob Sebor. are among them who will be either wholly or nearly ruined — Jno Wilkes I am afraid also — his brother Charles will suffer — many others whom you are unacquainted with — In short there are none who will not feel the effect of the present calamity — Hammond, will not I presume loose a great deal, except differences on Stocks sold p & d. & which it is probable he will not receive — as all p & d contracts it is probable will be done away — indeed people cannot comply with them so heavy are the differences. . . . Fowler & Co will suffer some . . . Sebor has sunk a fortune of 30 or £40 000. — . . . W^m Rogers I imagine must suffer considerably — LeRoy & Bayard, some."

On April 18 Johnson wrote further to Craigie:[1]

"Macomb does not seem disposed to come forward like the man of honor or honesty — In lieu of his private estate he offers £40 000 in Hyson & Souchong Teas @ 9/ & 6/ ⅌ £ — from his Statement it appears he owes to his Bro., Phyn & Ellis, & others near £90.000 — which he has taken the precaution to secure. The creditors, & indeed the whole Town are much exasperated against him — This morning he went to Goal — a number of Suits being Commenced against him — Last Even^g a large Mob Collected round the Goal — a heavy shower of rain dispersed them — I have no doubt they will reassemble against to night — preperations are made by the police to dispel them — I am much afraid Duer & Macomb are in danger from the resentment of the populace — The mechanics now begin to feel the effect of the failures, a large number of houses which were begun have been stopped — It would be difficult to describe to you the situation of this Devoted place — such a revolution of property perhaps never before happened — Platt will it is said not pay more than 3/ or 4/ in the £ — our friend W^m Rogers will lose 50 000 Doll^s only in differences upon Stock he had to Deliver — Low must suffer much from Macomb. Carter & Platt — In short there are no exceptions — We are in our misfortunes lucky that none owe us but Macomb — had we instead of selling to him sold to 20 Different Dealers & of the most respectable property, we should have been no better off — . . . Macombs estate will Not turn out well — I cannot think of this infamous business without indignation. . . .

"I hope the people in Boston will escape the general Calamity.— In Phil^a they begin to feel it — but nowhere will the effect be so severe as in this place. . . . Everything is changed — the Spirits of people seem depressed — altho' funds are low, Men have not the means to buy — Half shares are about 20 ⅌Ct. . . ."

H. M. Colden, whose friendships had cost him dear, but who was thankful to retain a "competence," wrote Wadsworth the same day:[2]

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[1] *Craigie Papers*, iii, 76.

[2] *Wadsworth Papers.*

"The arrival of Mr. King & M^r Cassano [Cazenove] will be very beneficial towards fixing the Minds of certain Gentlemen to the proper line of Conduct to be observed by Persons in their Circumstances: & also to quiet the Minds of the lower Class, who have been spur'd on to acts of violence, by some violent Characters here — but without success. A few Persons about 4 or 5 hund'd in Number assembled round the Jail last night — threw Stones &c. & broke some of the Prison Windows and Lamps — but were soon dispersed. In case of a similar attempt tonight; the Mayor Sheriff &c. &c. with their Myrmidons are all in readiness to put a period to this kind of work and make a few examples of the Rioters. and no real mischiefs tis presumed will now ensue. — M^r Macombe was sent to Jail this morn^g at the suit of Ed^d Livingston 'tis hoped both he & M^r Duer will in a few days come forward & make a *full surrender* of all their property to their Creditors. this will have every good effect, — both to their own, & the general peace of the city"

Colonel Talmage wrote to Wadsworth April 19 of Macomb's failure and of Richard Platt's ruin, and said further:

". . . Yesterday *M^{c}Comb* was committed to Prison on a number of Suits. His Character really suffers much. . . . Whippo has written a Letter which was yesterday presented to his Creditors, promising to deliver up all his Property, if he may be permitted to return unmolested. They have assured him of his personal Safety, during an Interview with a Committee from his Creditors [!] — Some Communications of consequence are expected from him —

"This City appears to be in very great distress, & in great Commotion. On Tuesday night [April 17] a Mob was said to have been collecting in the fields, but were driven off by the rain. Last night the same report prevailed, & as I am determined not to Credit all the reports that I hear, I walked up to the Prison at ½ Past Two. I found a large Collection of People in the fields, but they appeared to have neither Leader nor System.[1] The fact is, a little *irritation*, or a *small riot* when they are thus convened, appears to me would burst out into such a general flame, as would consume the Prison & D–r & M'Comb with it. The fever really runs high, & the moderation of every sober Man is needed to prevent Confusion. With a due Exertion of this, I hope the Peace of this City may be preserved, but much of its property, & all its Confidence is gone. It is a fact that several loads of wheat have returned up the north river, for want of a market. The owner not chusing to leave it in any man's hands to store. . . . Walter Livingston has gone to the manor — his retreat was a weak & pusilanemous measure — dictated by fear & a hope to effect a compromise with his Creditors. I believe his views will be disappointed; his ability to pay is too well known to induce his Creditors to accept of any thing short of their due. . . ."[1]

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[1] Cf. *Federal Gazette*, April 21, *National Gazette*, April 23: "On Wednesday evening last [April 18] a number of disorderly persons assembled round the jail in New York, behaving in a riotous manner, breaking the lamps, &c. Fortunately the friends of legal restraint and good order, with the exertions of the police, prevented any dangerous excesses being committed. Mr. Duer, it seems, was their object."

April 22 Johnson again wrote to Craigie:[2]

> "B:[rockholst] L.[ivingston] must be nearly ruined, as well as the rest of the L^{s} unless they avoid some of their losses by their artifice. — Platt will not pay it is said more than 2/ or 3/. on the pound — a sudden reverse of fortune indeed, but a few days ago he was displaying his affluence in high stile — he is certainly to be pitied[3] — Bleecker will not pay much I am afraid — Verplanck neither — Lewis may save something — Gilchrist a little, he must lose 50 or 60 ~~M~~ Doll^{s} If Storer is obliged to comply with the contracts against him he is 20,000 Drs worse than nothing. — Fowler & C^{o} will I presume lose a considerable in endorsements, & otherwise — You can have no idea of the present calamity — many of the Connecticut people are taken in for large sums, for money lent . . . Flint is a ruined man — he may have enough to pay his own Debts . . . A Robertson, has a bond of Whippo endorsed by Macomb, & some others for 100,000 Drs — for money lent — this will sweat down some of the old mans principal & Interest . . ."

Such was the devastation among the Scioto associates that Franks wrote Craigie April 20: "I am constrained to present it [his bill of £117] to you as the only Person belonging to that Company who can relieve me from the very great distress I am thrown into by my connection with it."[4]

Sidelights on the situation are given in Jefferson's letter to his Virginia agent, Thomas M. Randolph, in a letter written from Philadelphia April 17. He writes:[5]

> ". . . at length our paper bubble is burst, the failure of Duer in New York soon brought on others, and these still more, like nine pins knocking one another down, till at that place the bankruptcy is become general, every man concerned in paper being broke, and most of the tradesmen and farmers, who had been laying by money, having been tempted by these speculators to lend it to them at an interest of from 3. to 6. per cent a month, have lost the whole. it is computed there is a dead loss at New York of about 5 millions of dollars, which is reconed the value of all the buildings of the city: so that

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[1] Livingston's pusillanimity is fully attested by his later letters to William Duer, in the summer of 1792, as they are preserved in the *Duer Papers*, esp. ii, 253–255, 269. He was so eager to avoid "taking his medicine."

[2] *Craigie Papers*, iii, 77.

[3] Johnson had written on April 15 that at the meeting of Macomb's creditors April 13 "J R L[ivingston] disposed to be violent at least in language . . . Platt was disposed to be high": *ibid.*, ii, 75. Cf. also *Webb Correspondence*, iii, 103, 179–182.

[4] *Craigie Papers*, iii, 31.

[5] *Jefferson Papers* (Mass. Hist. Soc.), 1792; *Works* (Ford ed.), v, 509.

if the whole town had been burnt to the ground, it would have been just the measure of the present calamity, supposing goods to have been saved. [!] in Boston the dead loss is about a million of dollars. the crisis here was the day before yesterday, which was a great day for payments, the effect will not be public in two or three days more. it is conjectured their loss will be about equal to that of Boston. in the mean time buildings and other improvements are suspended. Workmen turned adrift country produce not to be sold at any [price], because even substantial merchants who never meddled with paper, cannot tell how many of their debtors have meddled and may fail. Consequently they are afraid to make any new money engagements till they shall know how they stand. as much of the demand from Virginia, & especially for wheat, & indeed tobo. is from this place, I imagine the stagnation of purchases & tumble of prices will reach you immediately. Notwithstanding the magnitude of this calamity, every newspaper almost, is silent on on [sic] it, Freneau's excepted,[1] in whom you will see it mentioned. . . ."

And the *National Gazette* announced in its issue of April 19:

"Accounts from New York say that the failures in that city may be fairly stated at 3 millions of dollars. The city is in a languishing condition — vessels laying at the wharves without any one to receive their cargoes — the speculators either in jail, ruminating over bushels of loose papers, locked up in garrets, or fled into remote and desolate parts of New Jersey."

Jefferson of course exaggerated the significance of the losses, for if some lost in the speculation, others gained, even if they found it impossible to realize to the full the paper gains they had counted. Moreover, he was probably wrongly informed as to Boston losses. Certainly correspondence and newspapers give no evidence of serious losses there, although the records of the Massachusetts Bank show that a rigid policy of restriction of discounts was in force from April 7 to June 9. New York alone was very "hard hit," and while outsiders were injured somewhat through loans and commodity dealings, the calamity was confined largely to the metropolitan cities.[2]

Hamilton's analysis of the crisis appears in a letter he wrote to William Short (the minister to Holland, who was actively representing the United States in financial matters abroad), dated April 16, 1792.[1]

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[1] The *National Gazette*, started in Philadelphia in October, 1791. Cf. also Jefferson to William Short, March 18, 1792, in *Works* (Washington ed.), iii, 342–343.

[2] For comments in contemporary letters not mentioned above, see Jones, *Hist. of N. Y.*, ii, 588; Walter to John Rutherfurd, March 28, 1792, in Rutherfurd, *Family Records and Events*, 150; Ebenezer Hazard to Jeremy Belknap, April 13, 1792, in *Belknap Papers* (*Mass. Hist. Soc. Colls.*, 5th Series), ii, 290.

> "The moderate size of the domestic debt of the United States appears to have created the most intemperate ideas of speculation in the minds of a very few persons, whose natural ardor had been increased by great success in some of the early stages of the melioration of the market value of the stock. To combinations of private capitals thus acquired or increased, sums of specie, obtained as well at the most extravagant rates of premium as at common interest, were added, and to these were joined purchases of stock on credits, for various terms, so as to create a delusive confidence that the concentration of so much stock in a few hands would secure a very high market rate. This expectation was increased by comparing the market values of the several species of our funds with those of the same species of stock in Great Britain, the United Netherlands, and other parts of Europe, without due allowance for the deductions which should have been made on account of the great difference in the value of money, and the objections arising from our distance from those European money-holders whose capitals they expected to attract, and other relative circumstances. At the time when many heavy engagements thus formed were becoming due, some contentions among the dealers in, and proprietors of, the debt, took place, and counter-combinations were formed to render the crisis of payment and speculation as inconvenient and disadvantageous as possible. By these means those eventual contracts, it was probably hoped, could be more cheaply complied with; and, moreover, that a reduced market would afford further opportunities of beneficial speculation. The extreme indiscretion of the first mentioned speculations, and the distress which, it was manifest, they must produce, excited perhaps and animated the movements of the other party, and brought on a scene of private distress for money, both artificial and real, which probably has not been equalled in this country.[2] It happened in the winter season, when the influx of cash articles of trade, as returns from abroad, is nearly suspended, and when quantities of specie were sent from the sea-ports to the interior country, for the purchase of produce to supply the demand for the spring exportation."

In short, here was a typical stock market and financial panic: violent over-speculation and over-extension of credit; failures of a few entailing failures of many and severe losses to more; a shock to business confidence affecting seriously mercantile activities themselves entirely unconnected with speculation; a tumble of prices not only of securities, but also of real estate and commodities; thoroughgoing confusion, uncertainty of mind on the part of the abler business men, and excitement and irritation on the part of the crowd; a temporary stoppage of building, improvements, and even of more essential economic activities, — a temporary derangement of the whole economic machinery. Exaggerated though the picture may be which is revealed by letters and newspaper articles written in the midst of the excitement, the main facts stand out clear, and the exaggeration itself reveals further the mental atmosphere which prevailed.

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[1] Hamilton, *Works*, iv, 217–218.

[2] The combinations seem clearly to refer to the Duer bulls, the counter-combinations to the Livingston bears.

The novelty of the experience accounts in part for the inadequacy of measures taken to meet it; but a number were tried, as the reports already cited indicate. As early as March 21,

> "A meeting was held at Corre's Hotel, . . . of the merchants and dealers in stocks, when they came to a resolution, that after the 21st of April next, they will not attend any sale of stocks at public auction; and also appointed a committee to provide a proper room for them to assemble in, and to report such regulations relative to the mode of transacting their business, as in their opinion may be proper." [1]

Public auctions in the evening did not at once cease, however, but on March 26 the large dealers in stock entered into an agreement not to draw out any specie from the banks for three months to come.[2] Presumably on account of the growing seriousness of the situation another meeting was held March 31, at which the dealers resolved at once to attend no more auction sales of stock.[3] Some regulations seem to have been adopted in addition to those of the year before. Next day one Hugh Smith, offering his services to his friends and the public, advertised "having commenced the business of broker, and taken the oath prescribed by the resolution of the dealers in stock." [4] On May 17, moreover, Leonard Bleecker and twenty-three other brokers agreed henceforth to charge a minimum commission of one-fourth of one per cent.[5]

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[1] *Gazette of the U. S.*, March 28, *Brunswick Gazette*, April 3, 1792. See also current New York papers. Cf. Wansey, *Journal of an Excursion* (1794), 73–74: "The Tontine tavern and coffee-house is a handsome large brick building; you ascend six or eight steps under the portico, into a large public room, which is the Stock Exchange of New York, where all bargains are made. . . ."

[2] Seton to Hamilton, March 26, 1792, in Hamilton, *Works*, v, 500.

[3] *N. J. Journal*, April 4. The *Daily Advertiser* (N. Y.), which had freely printed quotations, shows none in April.

[4] *Daily Advertiser*, May 8, 1792.

[5] Sereno S. Pratt, *The Work of Wall Street* (rev. ed., New York, 1912), 5. From this Pratt dates the beginning of the New York Stock Exchange, but it would seem as accurate to date it from various earlier resolutions which have been mentioned.

Legislatures took up the matter. On March 26 a bill was presented in the Pennsylvania lower house "to prevent the practice of stock jobbing." [1] The speculative orgy figured in the debates in the national House of Representatives.[2] Neither of these assemblies took any action. The New York assembly, however, passed on April 10 "An Act to prevent the pernicious Practice of Stock Jobbing, and for regulating Sales at Public Auction." [3] This act forbade the sale at public vendue in the state, after May 1, of any public securities or stock created under United States or state law, on penalty of £100 recoverable by the attorney-general. It declared void all contracts, written or verbal, public or private, for the sale or transfer of stock and debt, and wagers on their prices, unless the transfer actually took place at the time of contract — thus a blow at trading in futures; and payments of differences were made non-recoverable. This act tended to make necessary further agreements among the brokers, to secure extra-legal enforcement of speculative contracts.

The banks were for a time exceedingly cautious. N. & J. Frazier, non-speculating merchants of Philadelphia, wrote Craigie May 3 of conditions April 20: [4] "The Situation of Things were such at that time, that no confidence co^{d} be placed in getting a note discounted at the Bank." Hamilton stated that the banks "were influenced to limit their operations" before the panic broke.[5] Yet it was an exaggerated rumor that Benjamin Rush set down March 30, ascribing Duer's failure "to all the banks ceasing to discount and calling in their credits." Even Duer made no such charge as this and was probably on reasonably good terms with the banks. The Bank of New York early agreed to render all the aid in its power.[6] It is not likely that Hamilton's suggestions to it, for forbearance in requiring payment and as to "accepting in part payment the *credits*" on its books, were entirely disregarded.[7] The New York branch of the

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[1] *National Gazette*, April 2, 1792; *General Advertiser*, March 27.

[2] See *Annals of Congress*, iii, 495–536.

[3] *Laws* (ed. 1887), iii, 368–369. Cf. British act of 7 Geo. II, c. 8 (1734).

[4] *Craigie Papers*, ii, 179.

[5] Letter to Short, April 16, 1792, in *Works*, iv, 218–219.

[6] See *supra*, 295, 300.

[7] See his letter of March 25, quoted *infra*, 310–311.

Bank of the United States, soon after its organization April 2, was reported to be discounting "pretty liberally." [1]

Again, as in 1791, the Treasury took steps to alleviate the distress. As early as Monday, March 19, Hamilton began purchases of securities at Philadelphia, giving "a new face to things" and "reviving the desponding spirits of everyone " for the moment.[2] March 25, Hamilton wrote Seton: [3]

> "If six per cents should sink below par, you may purchase on account of the United States at par to the extent of fifty thousand dollars. You will not, however, declare on whose account you act, because, though there is, as to a purchase on that principle, no difference of opinion among the trustees, the thing is not formally arranged, and this is Sunday.
>
> "It will be very probably conjectured that you appear for the public, and the conjecture may be left to have its course, but without confession. The purchase ought, in the present state of things, to be at auction, and not till to-morrow evening, But if the purchase at auction will not tend as well to the purpose of relief as a different mode, it may be departed from; the usual note must be made of persons, time, &c. You will consider whether done all at once, or a part now and a part then, will best answer the purpose; in the state of this market, the latter mode is found preferable. I have just received a letter from Mr. Short, our minister resident, dated Amsterdam, 28th December, by which he informs me that he has effected a loan for three millions of florins at four per cent. interest, on account of the United States. This may be announced; and as, in the present moment of suspicion, some minds may be disposed to consider the thing as a mere expedient to support the stocks, I pledge my honor for its exact truth. Why then so much despondency among the holders of our stock? When foreigners lend the United States at four per cent., will they not purchase here upon a similar scale, making reasonable allowance for expense of agency, &c.? Why then do individuals part with so good a property so much below its value? Does Duer's failure affect the solidity of the government?"

After giving further facts regarding the good condition of the Treasury, he continues, as if to suggest words for Seton to speak:

> "Why then so much depression? I shall be answered, the immediate necessity for money. But if the banks are forbearing as to the necessity of paying up, cannot the parties give each other *mutual credit* and avoid so great a press? If there are a few *harpies* who will not concur in this forbearance, let such be paid and execrated, and let others forbear. The necessity of great sacrifices among your dealers cannot affect the nation, but it may deeply wound the city of New-York, by a transfer to foreigners and citizens of

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[1] Frazier to Craigie, April 5, in *Craigie Papers*, ii, 177.

[2] S. Johnson to Craigie, March 21, in *ibid.*, ii, 72.

[3] *Works*, v, 498–500.

> other states of a large mass of property greatly below its value. The face of your affairs may undergo for a considerable time a serious change. Would not the plan I suggested to you in my last [?] be a means of securing more effectually the debts due to the bank, by accepting in part payment *the credits* on your books?
>
> "While I encourage due exertion in the banks, I observe that I hope they will put nothing to risk. No calamity truly *public* can happen while these institutions remain sound. They must, therefore, not yield too far to the impulse of circumstances."

Moreover, the customhouse was directed to receive notes at thirty and forty-five days for the large sum of duties which happened to be due.[1] Seton purchased heavily on April 13, at the full prices authorized, 20s., 12s., and 12s. 6d., when prices at private sales the same day were reported to be 19s. 6d., 10s., and 10s. 6d.[2] Purchases continued to be made in Philadelphia.[3] Nor was the process altogether easy. Hamilton wrote Short:

> "Though the appearances of private distress for money were so great he could not obtain for several days the sum of fifty thousand dollars, at the highest rates at which the public purchases had before been made. The holders who were free from engagements were averse to selling; the principal persons who were under engagements they could not comply with, were obliged or disposed to place their effects in the hands of their creditors, who did not choose to add to their own disappointments of great profits actual losses by unseasonable sales of the bankrupts' property. The stock in the market, therefore, was really made scarce."[4]

Thus, much as Seton stressed the importance of Treasury aid, it does not seem to have been greatly appreciated.

It was natural that these events should affect the political atmosphere. The funding of the national debt and the establishment of the national bank were treated as the source of all these evils, and not without a modicum of reason; the Federalists were attacked for being responsible for them and Alexander Hamilton damned as their projector; Duer's well-known intimacy with Hamilton and his service under him heaped fuel upon the flames. Watson wrote Wadsworth in his letter of April 3:[5]

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[1] S. Johnson to A. Craigie, March 25, in *Craigie Papers*, ii, 73.

[2] *N. Y. Journal*, April 14, 1792. In this connection note the act of May 8, 1792, concerning purchases for the sinking fund: *U. S. Stats. at Large*, i, 281–283.

[3] The report of purchases is in *American State Papers*, *Finance*, i, 162–168.

[4] *Works*, iv, 217.

[5] *Wadsworth Papers;* quoted also *supra*, 299.

"I observe with extreme anxiety the State of many minds respecting the Government — And particularly the bitter use which the Secretary's enemies make of his attachment to Col° Duer My own faith in the good sense of my countrymen however continues strong — Certain characters in the state of Connecticut are making great efforts to your prejudice & that of the Speaker [Trumbull]. . . ."

Seth Johnson wrote Craigie April 15:[1]

"Even the government stands in danger of injury — the enemies to it, to Hamilton & his system have now an ample field to give scope to their abuse. — To every friend of this Country, the present evils must produce unpleasant sensations —"

Jefferson doubtless had Hamilton in mind when, in his *Anas* April 17, he set down a tale

"that a gentleman, heartily a fiscalist, . . . had been to N. York & into the Prison with Duer, with whom he hd. mch. conversn. that Pintard, Duer's agent, has about 100,000 D. worth of property in his hands & bids defiance; that this embarrasses Duer much, who declares that if *certain Persons* do not relieve him shortly, he will unfold such a scene of villainy as will astonish the world."[2]

Indeed it was this train of events that led up directly to the violent outburst of partisan feeling and expression which marked the summer of 1792.[3]

At this time the story got afloat which eight months later was to precipitate trouble for Hamilton, and which when fully aired in 1796 drove Hamilton, in the defence of his public reputation, to lay bare a dark spot in his private life.[4]

"A little after Duer's failure, Reynolds [one of the blackmailers] told Clingman [the other], in confidence, that if Duer had held up, three days longer, he should have made fifteen hundred pounds, by the assistance of colonel Hamilton; that colonel Hamilton had informed him, *that he was connected with Duer*. Mr. Reynolds also said, that colonel Hamilton had made *thirty thousand dollars* by speculation. . . . Mr. Clingman further adds, that some time ago he was informed by Mr. and Mrs. Reynolds, *that he had books containing the amount of cash due to the Virginia line at his own house at New York, with liberty to copy*, and were obtained through Mr. Duer."[1]

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[1] *Craigie Papers*, iii, 75.

[2] Jefferson, *Works* (Ford ed.), i, 226.

[3] See Essay III, chap. 5. Cf. also "A Citizen," in the *National Gazette* of May 3, charging that the public debt was swelled to be an engine of power, and that men in power were associated with stock jobbers.

[4] See esp. J. T. Callender, *History of the United States for the Year 1796 . . .* (Philadelphia, 1797), and *Observations on Certain Documents contained in No. v and vi of The History . . . in which the charge of speculation against Alexander Hamilton is fully refuted. Written by himself* (Philadelphia, 1797); and letter of Hamilton to Mrs. Nathanael Greene, Sept. 3, 1793, in *Works* (Const. ed.), x, 545–547.

Hamilton easily cleared himself later of the charges of speculation, and Wolcott made affidavit (April 12, 1797) that "nothing occurred at any time to my knowledge which could give colour to suspicion, that Mr. Duer was directly or indirectly concerned with or privy to the transaction" regarding the lists.[2] But Clingman surely had the lists, and the story was plausible enough to gain some currency.

Conscious of the danger, not only to himself but also to the administration, Hamilton was more than usually cautious in his relations with his friend. He did step into the breach in the manufacturing society[3] and throw the influence of the Treasury Department to check the extreme developments of the panic, and he wrote Duer words of counsel; but he would not exert himself directly on Duer's behalf and did not, in fact, go to see him. On April 22 he wrote from Philadelphia:[4]

> "I hoped ere this to have seen you, to have afforded you whatever of aid could have resulted from my advice, after knowing your real situation. But the session protracts itself, and I can scarcely say when it will finish. Lest the information contained in my last should induce you to postpone an arrangement with your creditors, in the hope of speedily having an opportunity of consulting me, I have thought it best to apprise you of the degree of delay which may attend my proposed visit to New-York. Indeed, I can hardly flatter myself that my advice could be of any real importance to you.
>
> "How are you? . . ."

Such, then, was the panic of 1792 and some of its immediate issues. Fundamentally conditions were not in a bad way, purely mercantile failures were negligible,[5] and the business recovery surprised by its promptness. Gouverneur Morris, writing to Rufus King from London April 6, spoke not without insight when he said, "some of these Gambling Operations in the Stocks, . . . however they may prejudice the Fortune, or even Morals of Individuals, are clearly demonstrative of the public prosperity."[1] As early as April 16 Hamilton wrote optimistically to Short:[2]

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[1] Callender, *History*, esp. 213, 216, 218.

[2] Hamilton, *Works* (Lodge ed.), vi, 464, 509.

[3] Essay III, chap. 4.

[4] *Works*, v, 506–507.

[5] See a Boston note of August 12, quoted in *N. J. State Gazette*, October 3.

> "A quarter's interest has just been paid. Some of the cautious moneyed people have begun to purchase. The specie is returning from the country, and the heaviest private engagements having now fallen due, the declension of stock may be considered as arrested. There is little doubt that the difficulty for money among the dealers in the debt will at no time be so great as it has been, after the present week, and that changes of a favorable complexion are to be confidently expected; at first moderate, perhaps, afterwards such as will carry the funds up to their due value."

And his prediction proved correct, for security prices recovered and ranged around 22s., 13s., and 13s. 6d. for several months.[3] On May 4 the Fraziers could write Craigie from Philadelphia:

> "We are happy to acquaint you that the difficulties & Distress which have been experienced here, from those causes which you must have been acquainted with, begin to subside, confidence in some measure is again reestablished, & Things in general Wear a much better aspect than they did 10 days or a fortnight past. The Banks go on discounting as usual, & Stocks begin again to bear some proportion to their value."[4]

Early in June "upwards of 5000 persons attended at the state house in Philadelphia . . . with thirty dollars in every man's hand" for subscribing to the "Lancaster road scheme," the first turnpike company floated.[5] A New York paper of June 15 quotes a correspondent as follows:

> "Who would have thought . . . that the effects of the late misfortunes of so many of our citizens would have been so little felt in general, as they are at present? Scarcely any traces of the disasters, except in the speculating line, which happened some time ago, are now to be seen in this commercial sphere. Trade of every kind begins to be carried on with spirit and success. — The representations which have been made of the situation of *New York*, in consequence of the late speculative failures, have been very

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[1] King, *Rufus King*, i, 422–423. Morris here asks for good and early information about matters in America: "It happens . . . not infrequently that by knowing good or bad tidings before any one else, we may make the most of the one and obviate the worst of the other." Hamilton, in his letter of April 16 to Short, suggested that the latter communicate the facts to Morris.

[2] *Works*, iv, 219.

[3] Cf. Foster to Craigie, May 29, 1792, in *Craigie Papers*, i, 78, and *Mass. Magazine*, current issues.

[4] *Craigie Papers*, ii, 179.

[5] *National Gazette*, June 7, 1792, and see Essay IV, chap. 4. See Reynolds' letter to Hamilton, in Hamilton, *Observations*, p. xxv.

> exaggerated and falsified. The shock at the time was very severe, but of short continuance. Credit is again revived — and prosperity once more approaches in sight."[1]

Later developments confirmed this forecast. Late in October a New York paper said:

> "The failure of Mr. D. and the other consequent failures this year, it was supposed would have put a stop to the improvements of the city; but the reverse has happened, and the many new and elegant buildings may vie with the most elegant and magnificent structures in Europe; and the rapid increase of population in this city is also surprising. From the daily arrival of strangers in this city, all houses are occupied, and numbers are obliged to leave town for want of habitation."[2]

In a word, the panic, man made, was soon over; but the man who had done most to make it did not so readily recover his normal equilibrium. It remains to describe his struggles of the next few years.

[1] *Columbian Centinel,* June 23; *National Gazette,* June 18.

[2] *N. J. State Gazette,* Nov. 7, 1792.

CHAPTER VIII

The Wreck and its Aftermath, 1792–99

Several of the bankrupts regained their footing. Pintard took refuge in New Jersey, hoped in vain for effectual relief from an insolvency bill before Congress,[1] but before many years was securely reëstablished in New York business and social circles.[2] Richard Platt seems to have come through the Commissioners in Bankruptcy in 1800 or 1801.[3] John Dewhurst moved to Philadelphia and took advantage of the bankruptcy laws there in force, which in February, 1792, had been providentially extended to debtors who had resided less than two years in the state, so that he was ready to make a fresh start in 1794.[4] The principal loser was less fortunate, though he made brave efforts to pull himself out of the hole.

Not only Duer's fortune was wrecked, but his reputation as well. He was denounced in unmeasured terms, both for swindling and for inefficiency. People wondered why they had trusted him. The newspapers freely printed bitterly satirical comments, as well as outspoken diatribes. More was said privately. In circles of those who had lost through him, vigorous criticism prevailed. The confidence of financiers who had associated with him and looked up to him was dashed. His business reputation was not improved by the issuance on May 8 of the report from a committee of the House of Representatives appointed March 9 to investigate the causes of St. Clair's defeat. This report, given wide publicity, laid at Duer's door, as we have seen, a charge of "gross and various mismanagements and neglects."[1] Duer promptly replied with "Strictures" on the report, in which he refuted certain specific allegations, but by no means cleared himself of the charge. The sad condition of the New Jersey manufacturing society, which now came to light, reflected upon him. The Scioto fiasco was recalled; indeed, certain Frenchmen had not forgotten it for a moment. His failure to have his accounts with the Treasury Department straight hardly supported a reputation for efficiency.

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[1] Every session of Congress considered a bankruptcy bill, but the first was not enacted till 1800.

[2] Pintard to John Templeman, Dec. 7, 1792, in *Emmet Collection* (New York Public Library), No. 10957; J. G. Wilson, *John Pintard* (New York, 1902).

[3] Platt to Webb, Oct. 14, 1800, in *Webb Correspondence*, iii, 180 n.

[4] *Pa. Laws* (Dallas), ii, 368–381 (Sept. 16, 1785), iii, 181–182. Cf. Duer to Dewhurst, November, 1792 (?), in *Duer Papers*, ii, 265, protesting against his surrendering property Duer had confided to him, while leaving Duer "Exposed, not only to the Notes, and Indorsements, for which it was used as a Collateral Security, and also to the Bond, and Judgment, given on the same Account."

For the time, however, he abated none of his remarkable resiliency. His own attitude toward his calamity is probably set forth with fairness in a statement written somewhat later, in answer to some attack in an official document: "Conscious of Error" but with "a Mind unconscious of an Intentional Act of Injury," and "the Conscious Pride of Innocence;" "a Person more offended against than offending," "my real Indiscretion in the variety and Extent of my Operations and the Unwarrantable Confidence I placed in others."[2] And in prison he devoted his marvellous energies to the problem of saving the utmost from the wreck of his fame and fortune.

He sought especially the counsel of his friend Hamilton, and on May 23 the Secretary wrote him this interesting advice:[3]

> "My dear Duer, five minutes ago I received your letter of yesterday. I hasten to express to you my thoughts, as your situation does not permit of delay. I am of opinion that those friends who have lent you their money or security from personal confidence in your honor, and without being interested in the operations in which you may have been engaged, ought to be taken care of absolutely, and preferably to all creditors. In the next place, public institutions ought to be secured. On this point the manufacturing society will claim peculiar regard. I am told the funds of that society have been drawn out of both banks; I trust they are not diverted. The public interest and my reputation are deeply concerned in the matter. Your affairs with the government, as connected with your office as assistant to the Board of Treasury, will deserve your particular attention. Persons of

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[1] *Supra*, chap. 6.

[2] *Duer Papers*, ii, 266, fragment of a draft of a letter obviously intended for publication, quoted more fully *infra*, 330.

[3] *Works*, viii, 245–247; J. A. Hamilton, *History of the Republic*, iv, 289.

whom you have made actual purchases and whose property has been delivered to you, would stand next after public institutions. But here perhaps some arbitration may be made. It would certainly be desirable to distinguish between the price of stock at the time of purchase and its enhanced price upon time. With regard to contracts merely executory, and in regard to which differences would be to be paid, no stock having been delivered, I postpone claims of this nature to all others. They ought not to interfere with any claim which is founded on value actually given. As to the usurious tribe: these present themselves under different aspects. Are these women, or ignorant people, or trustees of infants? The real principal advanced and legal interest would, in such cases, stand, in my mind, on high ground. The mere veteran usurers may be taken greater liberties with. Their real principal and interest, however, abstracted from usurious accumulation, would stand better than claims constituted wholly by profits from speculative bargains. But the following course deserves consideration: Take care of debts to friends who have aided you by their money or credit disinterestedly, and the public institutions. Assign the rest of your property for the benefit of creditors generally. The law will do the rest. Whenever usury can be proved, the contract, I take it, will be null. Where it cannot be proved, the parties will be obliged to acknowledge on oath, and then their principal and interest only will be due. Wherever a fair account can be stated, and all the sums borrowed and paid can be set against each other, it is probable it will be found that more has been paid than, on a computation of legal interest, was ever received. Here, I presume, the demand would be extinguished, and possibly the parties would be compelled to disgorge. These are rather desultory thoughts than a systematic view of the subject. I wish I had more time to form a more digested opinion, but as I have not you must take what I can give. Adieu, my unfortunate friend. God bless you and extricate you with reputation. Again adieu. Be honorable, calm, and firm."

His anonymous biographer in the *Knickerbocker*[1] says that

"he was constrained to execute an assignment of the greater and more valuable part of his estate for the benefit of his confidential creditors, and such others as chose to avail themselves of it and agreed to its conditions.[2] But few did so. Executions were issued against the remnant of his property, not included in the assignment, as well as against his person. The one was sacrificed at sheriff's sales; the other was never discharged, although eventually, the remaining debts did not exceed ten thousand dollars!"

The remaining evidence does not support these statements, though it is too fragmentary to make possible a complete statement true to the facts. There is no evidence that Duer accepted

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[1] XI, 101.

[2] Perhaps a frustrated plan to do this is what he referred to in his handbill of March 24, *supra*, 295.

Hamilton's advice. He did not satisfactorily explain his affairs with the government. He may have settled accounts with his friends, but even this is improbable except where they had pressure to bring upon him.[1] It does not appear that he made any serious effort to refund to the manufacturing society the sums of theirs which had been left in his hands. He certainly made no clear-cut assignment of his property "for the benefit of creditors generally." Indeed the fact seems to be that Duer was entirely unwilling to make a clean sweep of his property and was determined as far as possible to do his own liquidating, taking such time about the process as seemed necessary. A year after his incarceration a writer in the New York *Diary* called the attention of the public to his utter failure to redeem the promises made in his handbill of March 24, 1792, and mildly denounced him afresh as "arch impostor," "infamous swindler," "robber and miscreant." The settlement of so numerous and so intricate affairs, many of them handled so loosely, was necessarily a gigantic task, but the secrecy in which he had shrouded them, and his determination to come out of his difficulties with something more than a whole skin, effectually prevented an early and thorough settlement.

The course of the government suits cannot be accurately traced, despite several investigations by congressional committees and interested parties, but it is clear they came to naught.[2] The case seems first to have come up in the circuit court of the New York district April 8, 1793, then again in October. On April 26 Duer pleaded the general issue in answer to the declarations of Attorney Harrison that he had received and failed to account for $203,150 in indents of interest from April 7, 1788, and asserted that on April 1, *1793*, he had faithfully applied these to the use of the United States. Furthermore, he gave notice of a set-off, claiming that the United States had been indebted for $300,000 in indents of interest, and for a like sum on each of the two contracts for army supplies, the accounts for which were still unadjusted. To the further charge Oct. 7, 1793, that he had not properly applied or accounted for $36,773.72 of "new emission money" or warrants for the same, drawn Sept. 11, 1789, no reply is extant. As to the contracts, the auditor of the Treasury estimated in November, 1794, that *Duer* owed $12,440.94 on the earlier one; and in September, 1800, a bill in chancery was filed in the circuit court of the New York district against Theodosius Fowler, who had merely acted for Duer in getting this contract, for $10,799.29 still claimed to be due the United States. At this time evidence was submitted to show that because of omitted credits there was really a net balance due the contractor of $35,107.11, but the suit against Fowler was dismissed on showing that he was not the party liable, and the true state of the account was not finally determined. At various times after Duer's death the issue was reopened, chiefly in connection with efforts of his heirs to recover the claim of $35,107.11, and a report of a congressional committee in 1802 seemed to warrant success in this effort. But the lapse of time and the difficulty of securing satisfactory complete evidence led to the rejection of the claim. This committee could find no evidence of judgment entered, and in the Harrison registers no entry of suit. In his own lifetime Duer seems to have been content not to have these matters brought to a final settlement, and one who is familiar with his career can hardly conceive of his leaving a stone unturned to recover any debt justly due him, unless it bade fair to unearth a heavier debt charged against him. His insolvency may have influenced the government officials to drop the suit as hopeless, about the time of his death.[1] It is amazing, in view of Duer's prominence and the readiness with which talk of collusion between the Treasury and speculators was passed around, that the matter could be so unobtrusively shelved.

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[1] Cf. S. Johnson to Craigie, July 10, 1792, in *Craigie Papers*, iii, 18: "I was in hopes to have advised you of my having settled your a/c with M^{r} D. — I called on him yesterday, but found him so engaged in making up his contract accounts as not to be able to attend to yours — I shall call upon him again soon, & so continue to do untill I can find a favorable moment to get him to set down & examine your a/c —" Craigie's account with Duer, as shown in his ledger, is not closed. Cf. also the incident of Pierre de Peyster, quoted *supra*, 299.

[2] See esp. congressional committee report, 1802, in *American State Papers, Claims*, i, 259–262, and House Report 133, 29th Cong., 1st Sess., Jan. 27, 1846.

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[1] The statement appears in a Philadelphia newspaper report of early May, 1799, that late in April, on a premature announcement of Duer's death, a suit against him in the Philadelphia courts was quashed. Cf. *infra*, 331.

It is probably true that all of his New York property was seized by the sheriff. This included real estate in New York City and lands elsewhere in the state,[1] as well as his property in public and bank securities. Yet his outlying investments were considerable, and these he attempted, more or less successfully, to keep from his creditors. Chief among these assets were his share in the Maine land option and his lands in Vermont,[1] the former of which Duer regarded as his "sheet anchor." There is to be found among the *Duer Papers*[2] a draft of a proposition to vest the title to the Penobscot lands in the holders of the notes issued by his agent, but this is probably one of many suggestions which was pigeonholed. One Colonel Hay went to Vermont in the spring to attach Duer's lands there and had some sold to pay him for services rendered, but he seems not to have succeeded in securing all of them.[3] On both assets Duer realized with satisfaction to himself.

His associates in the Maine land deal were among those who were seriously embarrassed by Duer's collapse. The survey of the lands was then nearing completion. The first payment of \$25,000 was due within sixty days after this event, and Jackson had incautiously given the committee of the Massachusetts legislature to understand that they might count upon this sum by August 8. Jackson had also lodged in their hands a note for \$5000, on account of the last of the three contracts, evidently with the understanding that Duer would put him in funds to meet it before it should become due. This matured in July. For lack of \$30,000 cash, or immediate prospect of securing it, Jackson was naturally in great anxiety. On July 15 he wrote Knox from Boston: "press *Duer* for the 5,000 dollars, *Flint* or some other person, as I must pay that Note before I can go to N. York — it is a damn'd thing."[4] A week later he wrote again:

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[1] On lands in Warren and Greene counties, New York, and Vermont, see Johnson to Craigie, Dec. 25, 1796, in *Craigie Papers*, iii, 100.

[2] Ii, 260.

[3] John Lovett to Duer, September, 1792, in *Duer Papers*, ii, 258; S. Johnson to Craigie, Dec. 25, 1795, Jan. 3, 1797, in *Craigie Papers*, iii, 100–101. Walter Livingston's letters in the *Duer Papers* seem to indicate that he was concerned in these with Duer.

[4] *Knox Papers*, xxxii, 3.

> "not a word from *Duer or Flint* since I wrote you, . . . my situation is disagreeable in the extream and I cannot see where it will end — the Committee are so much dissatisfied with our conduct, that I every day expect they will *Sue* me for my 5,000 dollar note — . . . I have written *Duer & Flint* without any effect sometime past. I have therefore given up writing to either of them — they know my situation and I am willing to believe likewise they would give me relief if in their power."[1]

Jackson was made no more comfortable by the presence in Boston of La Roche and Mme. de Leval, representing the French immigrants who were counting upon a settlement in Maine. He reported them (July 22) "much enraged & distressed on account of their situation, they see no prospect of proceeding, and to give up the object is death to them."[2] Yet it was essential to pacify and please them in order to promote the immigration and settlement upon which the successful outcome of the speculation depended.

Various expedients were suggested. On July 15 Jackson informed Knox:

> " . . . I think it is pretty well understood that your conditional agreement [with Duer] will not be complyed with on his part — I think you have but one alternative — that is *to buy Colº Duer out of* the whole concern — which I suppose you may do by connecting yourself with *Cazneau*, *Bingham*, *Craigie* or some others — If you have an objection to appearing in it yourself — I will come forward to act *for you* in my name, in that case you may take yourself intirely out of the business — and you know you may place every confidence in me. — Something ought to be made out of it to satisfy us both —"[3]

Shortly after this writing Cazenove had a conference with Jackson, professed great friendship for Knox and Duer and a "wish & desire to serve you [Knox] & lend a helping hand to extract us out of our present embarrassments, provided it could be effected without too much risque, and a prospect of some emolument to himself;" but he evaded every proposal Jackson made and seemed quite willing to take advantage to the full of the partners' necessities.[4] The giving up of part of the contract was thought of, but Jackson wrote on July 22 that the committee "will never consent to relinquish the half of the first purchase. I suppose they would have no objections to our giving up the first two purchases, and to hold the last at the 21 Cents —"[1] Another way out seemed to be to put up at auction in New York or Philadelphia the million acres on the Kennebec, from the proceeds of which the other obligations might be met. Of this Jackson reported July 22:[1]

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[1] *Knox Papers*, xxxii, 16. Cf. also the letter of July 29 saying that the committee would hold them strictly to every point of their agreement.

[2] *Ibid.*, xxxii, 16.

[3] *Ibid.*, xxxii, 3.

[4] *Ibid.*, xxxii, 3. Cf. also the letter of July 29, in *ibid.*, xxxii, 30.

> "I am satisfied that something of that kind may be done which will put the business in a train of operation & give satisfaction to all parties — it may certainly be made a good speculation, by which you and myself ought to make something that will compensate us for our trouble and make us smile on the world ever after — only let me have the Funds — I will do all the rest, you & every body may keep your names out of sight I will give five years of my life to the completion of this object — I have health strength & knowledge of the thing sufficient to pursue it, and no exertion of mine shall be wanting to render the business of importance to the concern."

Knox's appeals to Duer by letter were for some time no more effective than Jackson's; Duer simply would not be hurried by anybody. Knox wrote him July 26:[2] "*I have not received a single line from you since I saw you.*" At last on July 31, however, Flint wrote Jackson what seemed to be real news:

> "Mr Duer has made some arrangements among his friends to carry through his proportion of the Contracts for two million of Acres — and has wrote General Knox to have his moiety of the money for the first payment, — & by the 15th of august it will be forwarded to Boston. — It was impossible to effect this business at an earlier period —"[3]

A similar letter was sent by Duer to Knox, who set valiantly about raising his $12,500.[4] This move, however, was not to Jackson's liking. He did not intimate that Duer was scheming to get possession of Knox's moiety without intending to forward it to Boston, but he did write Knox:

> "I am clear with you that *Duer* must take his *name* & *management* out of the business, or he will *Damn* the most favorable prospects, for I assure you a bare mention of him will destroy every confidence & make us the ob-

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[1] *Knox Papers*, xxxii, 16.

[2] *Ibid.*, xxxii, 26.

[3] *Ibid.*, xxxii, 31. Knox wrote Jackson August 2 that Duer did this by sacrificing a considerable portion of his part.

[4] *Ibid.*, xxxii, 35.

jects of ridicule, and if you mean or expect to make any advantage from the first 2,000,000 he must be bought of to relinquish every pretention —"[1]

Such was the precipitous fall of one whose name had lately been one to conjure with! A week later Jackson came on to New York, and on August 13 he wrote Knox:

"I have had but a few moments conversation With Colº. Duer. but it did not appear to me that he considered the conditional agreement in force or at an end, indeed I did not understand him. I may be dull of comprehension, but so it is — as to the 25,000 dollars I am satisfied (after what he wrote me that I should receive them by the 15th Inst.) that its all in *Air* and the only prospect he has, is to destroy the present agreement with Madame Laval, & let her become answerable to the Committee for 300,000 Acres at 20 Cents ꝑ acre, & the whole of that sum passed to our Credit with the Committee, & to answer our payment of the 25,000 dollars & we to have Credit for the ballance in our next several installments . . . Colº. Duer *informs me* the Committee will consent to [delaying payments a year], — but he is mistaken. . . ."[2]

From Jackson's letter of August 5 it appears that Mme. Laval had come on to New York, considering her agreement with Duer already broken and intending to make a new one on her own terms.[3] In New York she got the assistance of Cazenove and began negotiations with Duer.[4] On August 15 Jackson wrote Knox:

"Mr. Cazneau is absent, but is expected this day. all negotiations are suspended until you & he arrives — Mr. Duer is satisfied you will come. — Walker & Flint says it is absolutely necessary, as something final in this business must take place at this time. — as to *Duer's* having made the purchase, you may depend on it, is all in *Air* — he *has not* the Funds nor the least prospect of any, you are led into an error, & unless something is now done you & myself will loose every prospect in any advantage we expect from the purchase — . . . I passed the day with *Duer* on Monday and I am satisfied, he is destitute of Funds & not the least prospect of any, whatever, and you are *blinded* to a degree of Insanity to have an Idea that he ever can be able to comply in the least, with his agreement with you of June the 8th — think a moment — how & where he is to procure the sum of £16500 — pay you, — when in fact, *& its truth* — he cannot obtain one man of property to Join him in the purchase *at par* — then where in gods name is the £16,500 to come from — see & Judge for yourself — his name in any concern is sufficient to damn the most favorable prospects."

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[1] Letter of August 5, in *Knox Papers*, xxxii, 38. Cf. Jackson's letter of September 9: "I pray you to pursue with unremitting attention Colº Duers relinquishment as on that point every thing depends as to present & future prospects —": *ibid.*, xxxii, 75.

[2] *Ibid.*, xxxii, 49. Two of Duer's characteristics appear here — his ability to talk without being understood and his sanguineness.

[3] *Ibid.*, xxxii, 38.

[4] *Ibid.*, xxxii, 50. Jackson remarks that he is satisfied Duer and Cazenove are not connected!

Jackson was also much worried because of the poor guarding of the secret of Knox's connection with the affair. He wrote:

> "I never will consent to have you put your name to a *paper again*, that is to be handed about in the manner that yours & Mr Duer's agreement with Leroche & Madame has been. — I want that paper destroyed, for in your present situation, some handle may be made of it."[1]

Despite the danger of political injury, Knox acceded to the earnest solicitations of all parties and came to New York August 19, to find Jackson viewing the matter as greatly "perplexed."[2] August 23 he wrote his wife: "I have been agitating and negotiating, hitherto without any thing being positively effected, although there are some prospects of being able to carry the purchase through with a strong hand."[3] After much bickering over methods and terms, one William Greene, merchant of the city, was found to aid in buying out Duer. The terms, as arranged on September 21, were $50,000 payable in three years.[4] It is probable that Greene was acting for William Bingham, the Philadelphia capitalist. At all events it was Bingham to whom in December Duer and Knox made their assignment, in return for notes he gave to Knox (which Knox endorsed in blank to Duer); and it was to him that, on Jan. 28, 1793, the Massachusetts commissioners passed deeds for the land in return for a payment of $311,250.[5] Jackson was doubtless right in thinking Duer's terms extremely high. In such negotiations Duer was in his element, and there is no doubt that when he was in such sore straits he used his talents to excellent advantage.

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[1] *Knox Papers*, xxxii, 51. Knox was suffering considerable criticism during this summer as an aftermath of the St. Clair defeat, for which public opinion held him partly responsible. He was also to some extent a target for anti-Hamiltonian attacks.

[2] *Ibid.*, xxxii, 52.

[3] *Ibid.*, xxxii, 57.

[4] *Ibid.*, xxxii, 144. The draft of the assignment is in *ibid.*, xxxii, 34. Cf. also Jackson's letter of September 28, in *ibid.*, xxxii, 155.

[5] *Ludlow* v. *Bingham*, 4 Dallas (Pa.) 45 (1799); John Francis Sprague, "William Bingham, and the Million Acre Tract," in *Hist. Colls. of Piscataquis Co., Me.* (Dover, 1910), 434–435; *Farnham Papers*, ii, 94–98, in *Doc. Hist. of the State of Me.*, viii (Portland, 1902).

It is probably true, as the writer in the *Knickerbocker Magazine* asserts,[1] that the Vermont lands (possibly excluding what Colonel Hay attached) were advantageously sold to James Greenleaf, who also bought up a judgment against Duer's lands in Warren and Greene counties in New York.[2] Greenleaf was another big business man of the day. He was an active speculator in securities in 1789–91, with Dutch connections. With James Nicholson and Robert Morris he invested heavily in lands in the new "federal city." In the fall of 1794 Bossenger Foster reported confidentially to Andrew Craigie that Greenleaf held a large quantity of the best lands in New York state. In July, 1796, perhaps on the strength of his intimacy with Duer, Greenleaf sought to obtain Hamilton as a partner in his affairs, doubtless for Hamilton's brains and reputation rather than for his money. On this occasion Greenleaf represented himself as worth five millions, though owing $1,200,000. Before long he too went to the wall.[3] According to the *Knickerbocker* account Mrs. Duer's right of dower in these lands was secured by a bond of the purchaser to trustees for her benefit, and until Greenleaf himself became embarrassed, or until he found a legal way of evading the obligation, the interest was paid regularly.[4] The balance of the purchase money was left to be invested by Duer in a new enterprise.

The rights of canalling at Bellows Falls, Vt., were taken over — doubtless at a fair consideration — by James Watson, acting in conjunction with Jeremiah Wadsworth.[5] There may have been other properties outside of the state which, by careful management, were made to yield something into Duer's own hands upon liquidation.

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[1] Xl, 102.

[2] S. Johnson to Craigie, Dec. 25, 1796, in *Craigie Papers*, iii, 100.

[3] Clark, *Greenleaf and Law; Craigie Papers*, ii, 180, iii, 87, 100; Hamilton, *Works* (Const. ed.), x, 187; and various letters in unpublished collections of the Historical Society of Pennsylvania.

[4] Cf. the pathetic letters of Mrs. Duer to Greenleaf in 1799–1800, in *Etting Collection, M. O. C. Papers*, i, 60–63, and a letter of Feb. 19, 1797, from the lawyer, Duponceau, regarding the interest on this bond, in the *Duponceau Letter Book B*, 260–266. The writer in the *Knickerbocker* states that the interest "was paid for a few years, when the purchaser, discovering that, by the Laws of Vermont, no right of dower vested in a wife, availed himself of the circumstance in a plea to a suit brought upon the bond."

[5] Duer to Wadsworth, May 12, 1792, and Watson to Wadsworth, May 10, 24, 1792, in *Wadsworth Papers*.

The Scioto speculation, long a veritable Jonah, was now definitely thrown overboard. No payments had been made to the government, and since Duer, Flint, and their crowd had now no means of payment, none could be made. The Ohio Company lost about $80,000, according to Rufus Putnam, through the failure of Richard Platt, its treasurer; of course the Scioto Company "failed altogether in respect to the 148 shares they contracted to purchas."[1] Putnam fumed and tried to collect from the solvent trustee. Flint wrote him on May 26, 1792, arguing that the trustees were not personally liable on the contract and further:[2]

> "I have no doubt it is in your power to have the lands of the Ohio Company laid out in such a manner as to exclude the lands mentioned in our contract from being a part of the Ohio's Company's purchase. In this case the contract will be annihilated. It is not only just that the trustees shoud be released; but it is good policy in you to use your endeavors to obtain that release. You are a proprietor in the Scioto concern, & must abide your proportional part of the event of that business. From every view of the subject you can take, you will see that propriety of obtaining such a patent from the United States as will exclude the Directors from the power of attempting to enforce our contract. I have no fears that you have a legal claim on the trustees, but is is neverthelss desirable to have the matter dismissed without a legal process."

Nevertheless, to get clear of the business, Craigie made over to the Ohio Company five shares in its funds and charged the amount up to Duer's account, which was never closed.[3]

By strenuous efforts the Ohio Company at last succeeded, in April, 1792, in getting Congress to release them from the obligation to pay the second $500,000 now fallen due and to modify the contract in their favor.[4] The French settlers at Gallipolis, through the failure of the Scioto Company to fulfil the contract for the one hundred and forty-eight shares, were left quite stranded. In the fall of 1793 their case was put in the hands of the able Philadelphia lawyer, P. S. Duponceau, a countryman of theirs, and eventually in March, 1795, after a report by the attorney-general, Congress was prevailed upon to make a grant of twenty-four thousand acres to be divided among them.[1] By this time their numbers had sadly dwindled, and Putnam, charged by the Secretary of the Treasury with ascertaining their numbers, found at the settlement on Nov. 1, 1795, only eighty-eight over eighteen years of age.[2]

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[1] *Putnam Memoirs*, 116.

[2] *Craigie Papers*, ii, 39.

[3] Agreement of June 30, 1792, signed by Benjamin Tallmadge, treasurer of the Ohio Company, in *ibid.*, ii, 48. Cf. also Belote, *Scioto Speculation*, 71-72, and *infra*, 824.

[4] Cutler, *Manasseh Cutler*, i, 479-481, 519-520.

The French who had been negotiating with Duer in regard to substitute lands in Maine he seems to have managed to disappoint. Marnésia returned to France practically ruined, without any satisfaction but that of denouncing Duer as a charlatan. Chevalier du Bac, who had been the first agent of D'Eprémesnil, one of the principal enthusiastic investors who did not leave France, remained in America an insignificant threadbare adventurer. Bancel de Congoulin, the second agent, who spent a good part of 1792 in America and became enthusiastic about the Maine possibilities, disappears from view as he leaves France in July, 1793, ready to treat finally with Duer, who then had no further interest in these lands. D'Eprémesnil lost all that he had invested.[3] One of the Frenchmen, quite probably a member of this group, committed suicide soon after Duer's failure, but probably he had become involved in the stock speculations as well as in the Scioto web.[4]

By dint of his exertions in liquidating his assets and evading his debts and responsibilities so far as possible, Duer seems to have come near to regaining his footing late in 1793. J. Armstrong, Jr., wrote him December 21 appealing for payment of a debt and concluded: "Accept my congratulations at the near prospect you now have of getting thro' all your difficulties. My best wishes that your future life may be as easy and prosperous as your genius activity and experience are so capable of makg it."[5] Craigie, in the same month, charged up to Duer $295 for the "5 ohio rights pd Talmadge on W D's Scioto concerns" and $10,318.08 in indents, crediting him with $305 in specie and

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[1] Belote, *Scioto Speculation*, 57–59, 70–73, quoting petition.

[2] *Putnam Memoirs*, 123, 125, 409.

[3] Carré, *Les Émigrés Français*, esp. 334–340.

[4] Rush, *Memorial*, 137.

[5] *Duer Papers*, ii, 268.

$2819.27 in continental certificates — adjustments which seem to reflect an improvement in Duer's financial condition.[1]

The proceeds of the sale of the Maine lands were invested in a cotton mill established on the Bronx, in Westchester County.

> "The title to it was transferred to trustees, who subsequently disposed of the property to the purchaser of the lands in Vermont [Greenleaf], who residing out of the state of New-York, made it a condition that Colonel Duer should, at a salary to be deducted from profits, continue to direct and superintend the agents to whom its management had been entrusted."

Duer apparently had not lost faith in the possibilities in the cotton manufacture on a large scale, and it may have been this undertaking which he sought to have incorporated as the Columbian Society. His correspondence shows evidence of negotiations carried on in 1794 with reference to this business; but it can hardly have prospered.[2]

He seems to have delved again into various speculations. Some inkling of activities in this direction may be gathered from a letter written from Washington, Jan. 25, 1795, by W. Mitchell, who was evidently reporting concerning a mission upon which Duer had sent him:[3]

> "I have been diligent in my inquiries respecting the Validity of Virginia Surveys — And find that the same errors have been commited here as in Kentucky — Therefore in purchasing you hazard every thing — the Company of Clark &c have got their agents in this Country, and they possess the best information. M^r^ Williamsons Surveys are the best — and I believe that you are perfectly safe in the purchase you made of him, The County Surveyor is not at home, Therefore I have not had an opportunity of seeing the Map — Lands are rising fast, and Speculators are plenty, but in their zeal to grasp all the Virginia Lands, they hazard a great deal. A great inconvenience will attend purchasing Virginia Lands which are pattented. They lie in small tracts spread over such an amazing extent of territory that they are scarcely to be found — The entries of Surveys are not kept regular. Even the County Surveyors have no regular Maps of Located or unlocated Lands within their respective Districts — The Confusion of Babel will be surpassed, when ever Lands become valuable — Nothing but good marked lines will Secure them — The land office Treasury Warrants which are al-

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[1] *Craigie Papers, Waste Book A*, Dec. 21, 31, 1793.

[2] *Knickerbocker Magazine*, xl, 102; Duer to Greenleaf, Oct. 23, Nov. 13, 1794, in *Etting Collection, M. O. C. Papers*, v, 69, 71.

[3] *Duer Papers*, ii, 270.

ready on hand I shall find room for — A Gentleman yesterday asked 100 D^{rs} per 1000 but I advise to buy no more.

"The Western territory will open an ample field for Speculation when those who Venture their Cash, will do it with Safety — The Illinois Country is an object worthy of your attentions. . . . The Insurgents are perfectly quelled. Politics are scarcely mentioned — Whisky at the old price —"

Despite the circumstances of his failure and his policy thereafter, Duer had not lost all his friends. And about 1796 or 1797 an effort was made to secure his release from prison. Hamilton, always a reliable friend, came out with earnest letters written on his behalf to the still unsatisfied creditors. He said in one:[1]

"Poor *Duer* has now had a long and severe confinement, such as would be adequate punishment for no trifling crime. I am well aware of all the blame to which he is liable, and do not mean to be his apologist, though I believe he has been as much the dupe of his own imagination, as others have been the victim of his projects. But what then? He is a man — he is a man with whom we have both been in habits of friendly intimacy. He is a man who, with a great deal of good zeal, has in critical times rendered valuable services to the country. He is a husband, who has a most worthy an amiable wife, perishing with chagrin at his situation; — your relation by blood, mine by marriage; — he is a father, who has a number of fine children, destitute of the means of education and support, every way in need of his future exertions.

"These are titles to sympathy, which I shall be mistaken if you do not feel. You are his creditor. Your example may influence others. He wants permission, through a letter of license, to breathe the air for *five* years. Your signature to the inclosed draft of one, will give me much pleasure."

Duer acknowledged that his indiscretions had "deserved a severe Correction in the School of Affliction," though protesting his Innocence of intentional wrongdoing, and submitted that he had therefore borne

"all the attendant Evils not only with a patient Fortitude but with Humility, . . . for a long series of Years, deprived of that Inestimable Blessing, Personal Life, and of all the endearments and Benefits of Domestic, and Civilised Life. To every feeling, and Candid Mind," he wrote, "this Expiation will I trust appear sufficient; and if amongst my former profest Friends, or obdurate Enemies they may be a few who think otherwise, I sincerely hope that in the Vicissitudes of Life they may never be put to so severe a Trial."[2]

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[1] Hamilton, *Works*, v, 546–547. Here it is dated "August, 1793 (?)," but the context indicates that this is too early a date.

[2] Fragment of a letter in the *Duer Papers*, ii, 266. As a matter of fact the lot of the wealthy debtors in prison may easily be made out worse than it really was.

The effort seems to have been successful. The traditional statement runs that Duer remained in prison five years.[1] But his relief was very temporary. Robert Troup, in a letter of October, 1798, to Rufus King in London, telling of disastrous failures in New York, adds to a calendar of doleful details: "Poor Morris remains in gaol . . . Poor Duer in gaol likewise. . . ."[2] Why he returned does not appear. This time Duer was left with no hope of restoring his broken fortunes. The failure of Greenleaf, who had paid Duer a salary and his wife the interest money on a bond representing her dower rights in the Vermont lands, removed their surest resources. Still hopelessly insolvent, a negligible figure, he died in prison May 7, 1799. The *Gazette of the United States* reporting his death (somewhat prematurely) in its issue of April 22, had merely this to say: "Col. William Duer, so well known by his extensive speculations, during the *Scrip* mania, died lately in prison, at New York."

How much Duer owed at his death cannot be ascertained. There is evidence of an unsatisfied judgment of £4103 15s. 6d. Pennsylvania currency, rendered March 8, 1794.[3] Putnam claimed he was still owed $2861.42 "for building the works & Cabbins at Gallipolis."[4] Andrew Craigie's open account with him showed several thousand dollars debit balance.[5] Among Duer's papers one finds numerous urgent appeals from small creditors, such as agents of the Scioto emigrant business or army contracts, clerks, up-state neighbors, as well as friends in misery, like Walter Livingston.[6] Their appeals seem to have been vain. There is every reason to believe that the debts he failed to pay were far greater than the $10,000 which his apologist mentions.

After he died his wife's relatives raised a subscription to aid in paying the family debts, but the sum was inadequate even for

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When Robert Morris was spending his first year in the Philadelphia prison, Washington made a visit to the city and noted in his diary (Nov. 27, 1798): "Dined in family with M^{r} Morris." See W. S. Baker, in the *Pa. Mag. of Hist. and Biog.*, xxi, 279: "This family dinner must therefore have taken place in the debtors' apartment of the Old Walnut Street Prison at Sixth and Walnut Streets." Duer's operations during confinement indicate that there were alternatives far worse.

[1] Statements vary, but cf. J. A. Hamilton, *Reminiscences*, 5; Hamilton, *Works* (Lodge ed.), viii, 305.

[2] King, *Rufus King*, ii, 433.

[3] *Ludlow* v. *Bingham*, 4 Dallas (Pa.) 45 (1799).

[4] *Putnam Memoirs*, 116.

[5] *Craigie Papers, Ledger A.*

[6] Cf. *Duer Papers*, ii, 252–255, 268.

them, and Mrs. Duer found herself, with her family of eight children, in a poverty the more intolerable because of its sharp contrast with the life of ease to which she had been accustomed and because it followed a period of trying years; "a cruel Poignancy was added" to her trials by incessant pressure from creditors.[1] From this she escaped by marrying, in September, 1801, William Neilson.[2]

It was left to the two oldest sons to restore the honor of the family name. William A., the eldest, saw service in the navy in the Mediterranean war of 1798, then studied law under Peter S. Duponceau, of Philadelphia, became a circuit judge in the New York courts, 1822–29, and served for the next thirteen years as president of Columbia College, where in 1833 he published his *Lectures on the Constitutional Jurisprudence of the United States.* John, the second, also studied law, after a brief period in the army, and earned distinction as an insurance lawyer in New York City, publishing works on marine insurance. He rounded out his career as chief justice of the superior court of the state (1849–58).[3]

What a career! An eventful youth, an excellent start in business with all the advantages of "capital and connection," a young manhood full of serviceableness and of greater promise, a prime of Napoleonic, egoistic effort, a middle age of vain struggle against a failure already descended, and death in the midst of the hopelessness of this struggle, in a jail which symbolized barriers stronger than iron.

How shall we appraise the character, the personality of the man with this extraordinary career? Eventually he failed in almost all of his operations. His efficiency as a public officer was brought seriously in question. His Scioto enterprise came to grief, his international financial association did not materialize, his army contracts were doubly a failure, his manufacturing society struggled but to fail, his speculations finally proved a snare. Only a few land ventures attested good judgment and management. Had he all along merely deluded himself and his associates into thinking he was a business man of capacity? Or did he simply have a run of bad luck, an accumulation of misfortunes? Was he a selfish and unprincipled gambler, a scoundrel, a "crook," a betrayer of trusts on a gigantic scale? Or was he a patriotic business man, who incautiously extended his operations too greatly, suffered heavily at the same time from a combination of hostile circumstances, and was so unfortunate as to injure others with himself in his lamentable failure?

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[1] Cf. her letters to Greenleaf, 1799–1800, in *Etting Collection, M. O. C. Papers*, i, 60–63.

[2] Miss E. C. Jay, in *N. Y. Gen. and Biog. Rec.*, xii, 16 (1881).

[3] *Ibid.*, xii, 19; William Nelson, in *N. J. Hist. Soc. Proc.*, 2d Series, xiii, 232–233 (1895); *National Cyclopedia of American Biography*, vi, 344, xi, 528.

Without question Duer was a man of large capacities, both for business and politics. His advancement was earned, and he rose steadily for twenty years to a high place among the leaders of his day. He was treated with the highest respect by these other leaders, such as the Morrises, Jeremiah Wadsworth, Hamilton, Christopher Gore, and Knox. By smaller men he was held almost in awe. One finds an interesting illustration of this in a letter from Edward Dowse to Andrew Craigie, Feb. 8, 1790. Dowse was a small factor or merchant, correspondent of Craigie's in 1786–90, who at the time of writing the letter was endeavoring to secure money on his accounts with Thomas Hutchins, surveyor-general of the United States, under whom Dowse had served as surveyor. He was called upon to make affidavit that he had never withdrawn his accounts from the Treasury Board.

> "This," he said, "I can safely and would most cheerfully do, only that I should be sorry if it should occasion any difficulty to Colonel Duer — I most assuredly never did withdraw my accounts from the Treasury board Colonel Duer is certainly mistaken in the matter. I can safely make oath, that neither he nor any other person ever returned them to me. — But I would not, upon any account, have Colonel Duer put to any trouble about it — I want your advice in this affair, if I apprehend *M^r. Duer* would be responsible on account of the Loss of the papers, I would not forward the certificate to M^r. Morgan — I will rather chuse to sustain the Loss myself. — But if it will not involve Col. Duer in any difficulty, I will without hesitation forward the certificate and oath, which M^r. Morgan wishes me to — Will you be good enough to converse with Col. Duer upon the subject, and then tell me how I must act, to be eas'd of this troublesome affair"[1]

This was in Duer's prime. After his failure this did not all disappear. Henry Jackson, who visited him in prison, did not get satisfaction, and indeed could not understand Duer's meaning; but he was perplexed rather than angered by the interview. J. Armstrong, writing to Duer in 1793 urging payment of his debt, adopted an almost obsequious tone. Walter Livingston poured out earnest entreaties, but was always respectful.

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[1] *Craigie Papers*, ii, 104.

Like other men of large calibre, however, Duer had both large talents and large deficiencies. He was first and foremost an initiator. He possessed in marked degree three essential talents of a promoter — ability to draft large and plausible schemes, ability to secure the adhesion of capitalists to these schemes, and ability to push and guide them through the troublous early stages. Witness the Scioto enterprise, the Brissot-Clavière association, the S. U. M., to mention only the clearest instances. Furthermore, he had a keen eye for a whole situation: he could always see the forest as well as the trees. At the same time he had a grasp of details, of distances and costs, of men, high and low, their strength and their weaknesses. He had a long-range vision. What is more, he had a dynamic conception of life, never assuming the *status quo* as normal, always counting upon change and development. Perhaps his dominant characteristic was a sanguine temperament. He might well have uttered the maxim attributed to the late J. Pierpont Morgan: "Never be a bear on your country." He had boundless energy. He had a fund of wholesome good nature and good fellowship, and he cultivated to a high degree the fine art of hospitality. Men liked him warmly, till they lost by him, and even then not all deserted him. In face to face intercourse he revealed a remarkable persuasive power. Men were carried away by his talk and would yield to him or give him support even if they did not altogether understand him. Doubtless his intimate knowledge of men enabled him to bring pressure to bear in appropriate fashion, but familiarity with the details of his career convinces one that his edifice was built up on voluntary and not on involuntary support. Moreover, he could and did invest heavily of his own funds in enterprises which he promoted, and he was not backward about making advances in their behalf. He knew how to keep matters to himself; even his intimates were not apprised of his ideas and interests and activities unless communication clearly suited his purpose.

But while an effective promoter, Duer lacked essential characteristics of a successful entrepreneur. Good at planning, he was quite inferior in execution. He could start things, but he could not carry them through, especially if their accomplishment extended over large distances and a considerable period of time. In a significant sense one might say he had "dash," but not endurance. Excellent in close-range dealing, he was execrable in negotiations at long range. Perhaps in the twentieth century he might have fared better with the telephone, extra-fare express trains, and a corps of stenographers. As it was, correspondence annoyed him. His disinclination to commit too much to paper and his physical laziness about letter writing resulted in leaving his correspondents perplexed, uneasy, or exasperated, if not entirely in the dark; whereas his interviews usually left people clearheaded and enthusiastic, or at the worst vaguely satisfied. Furthermore, Duer had a most unfortunate tendency to undertake too many jobs at once. In view of the part which he proposed to play in his different enterprises, this may seem excusable, for none demanded more than a portion of his time. But when, as it often happened, the different enterprises required serious attention all at once, Duer was utterly unable to give the attention which they required. This was his principal difficulty in 1790–92. The successful man *par excellence* is he who recognizes not merely his powers and his opportunities, but as well the precise limitations of both. Duer did not know when to stop expanding.

Under certain circumstances these deficiencies might not have brought Duer's downfall. In a highly specialized business world there is room for one who can launch enterprises, pilot them through the inner harbor, past the hidden rocks near shore, and through the narrow channels adjoining, but who cannot steer them successfully on the high seas. Duer had the misfortune to live before this age of specialization dawned. Division of labor was not a characteristic of his day, especially in the higher levels of business activity. And despite his effectiveness in securing devoted lieutenants and associates, like Flint, Walker, and Craigie, he did not happen to fall in with an associate who could adequately supplement him just where he was weak. Essaying alone the complete rôle of an entrepreneur, he failed dismally.

It is true there were certain external circumstances that were adverse. The wisest could hardly have foreseen the course of the French Revolution and its full bearing upon the United States, and this event, with its indirect consequences, balked some of Duer's favorite schemes. The hostility of the Indians in the west developed at a time most unfortunate for the Scioto enterprise. But one must lay his downfall chiefly to his own weaknesses.

Of his business and political morality what is to be said? On the charge of speculation a demurrer must be entered: speculator he was, to be sure, but what of it? He undertook to be a jobber in lands and securities on a gigantic scale. Yet if speculation is ever to be justified, in the case of lands as finding a satisfactory market for otherwise unused or unsatisfactorily utilized lands, or in the case of securities as obtaining a better distribution or making a good market for their sale, Duer must be accounted a productive speculator and not a mere parasite. Few speculators have had, in proportion to the materials available, a better command of information regarding the object of their speculation or the prospects of success. Moreover, he was never charged, so far as I can ascertain, with circulating false rumors. It is by no means clear that he directed fictitious sales of stocks, though it is not certain that this was contrary to his principles. It does appear probable that he attempted a corner in stocks. In the main, however, he was a typical bull operator in a boom period.

Nor do I see reason for calling him a swindler, a "crook." The Scioto enterprise, though never intended as a colonization scheme, seems to have been undertaken in good faith. His borrowings in New York before his failure were likewise, apparently, in good faith. He set about legitimate business enterprises and generally followed legitimate business practices, as judged by standards of his day. Incidentally he failed and others were injured through him, but the losses were incidental, not intentional.

Certainly, however, he is to be severely criticised on several grounds, though in criticising one must beware of judging him by twentieth century standards. His position as a public official was used to further his own pecuniary interests — witness especially the Jarvis copper contract and the Scioto contract. He would have used his position similarly in the Brissot relationship. In all likelihood there were other instances,[1] among others possibly the funding operations and the investigation of manufactures. The evidence regarding him gives color to the fears and assertions of the Antifederalists, that private interest was strong in public circles and had much to do with the determination of the issues on the funding system and the national bank. The indications are, although the evidence is not entirely satisfactory, that at least once he was guilty of "borrowing" public funds for his own uses. Certainly he was criminally careless about settling up his accounts with the government, and had it not been for his good fortune to be on excellent terms with such men as Hamilton, Wolcott, and Knox, his reputation might be still worse.

In his business dealings with subordinates and other business men Duer was culpably lax and unduly disregarded their interests. He failed to write letters when the lack seriously hampered his agents not only in their relationship to him, but in their private capacities. The Barlow case stands out most prominently. Porter's is hardly less noteworthy. Brissot, Franks, Jackson, Knox, and Armstrong are a few of the many others who fell afoul of this tendency. In some cases the fault was mere carelessness, in others it was clearly procrastination or evasion of responsibilities. His neglect to pay debts clearly due, as in the case of Putnam, Porter, Franks, and the wagoners, belongs in the same category. Duer certainly could not have retained his business standing if these actions had been habitual, but the frequency with which they occurred makes quite a blot on his scutcheon and brings out more sharply how great his other qualities must have been to overbalance these defects.

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[1] In this connection one may quote his letter to Christopher Gore, written in 1789, after Gore had assisted in a move which inured greatly to Duer's advantage: "I do not love Professions; because they seldom mean much, and yet I know not at present how I am to requite you, for your Friendly Sollicitude, and Exertions, in dis Embarrassing me — all I can say is that you will always have a Warm Place in my heart; and that you must freely Command Every Service I can render to yourself or Friends; either in a private or Public Line —": *Craigie Papers*, ii, 54.

In his failure and weary imprisonment Duer met the reward which certain of his actions merited. Taken as a whole, his course deserved neither success nor imitation. He was too much of a "bull in a china shop" to be safely at large in the business community. Yet one cannot but regret that his unusual abilities were not linked with slightly more of caution and considerateness and infused with a keener moral sense, for all his abilities were greatly needed in the critical, dynamic period in which he lived.

APPENDIX A

BOSTON MONTHLY QUOTATIONS OF PUBLIC SECURITIES, 1789–92, AS PRINTED CURRENTLY IN THE *Massachusetts Magazine*[1]

Date	Final settlements	Loan office certificates	Specie orders	Army certificates	Indents	Consolidated state notes	Impost and excise orders	No. 1, 2, and 3 orders	New emission money
1789									
Mar. 3	4^{6-7}	4^{6-7}	9	6	$2^{10}-3$	$3^{9}-4$	$10-10^{3}$	....	....
Mar. 31	4^{6-8}	4^{6-8}	$9^{6}-10$	6^{8}	$3-3^{2}$	$3^{9}-4$	$11-11^{6}$	....	....
Apr. 30	4^{8}	4^{8}	10	6^{4}	3^{2}	4	14	3^{8}	6 for 1
May 29	4^{10}	4^{10}	10	6	3^{2-4}	4	14	$3^{9}-4$	5 for 1
June 29	4^{10}	4^{10}	8	6	3^{1}	4	12	$3^{9}-4$	5 for 1
July 30	4^{10}	4^{10}	8^{6}	5^{6}	3	4	14	3^{8}	6 for 1
Aug. 30	5	5	8^{9}	6	3^{1}	4	13^{6}	$3^{9}-4$	5 for 1
Sept. 30	5	5	10	5^{9}	3^{1}	4	12^{6}	4	5 for 1
Oct. 31	5^{2}	5^{2}	9^{6}	5^{7}	3^{2}	4	13	3^{10}	5 for 1
Nov. 30	5^{10}	5^{10}	12	6	3^{6}	4^{4}	13^{8}	4	6 for 1
Dec. 31	7^{8}	7^{8}	10	6	5^{6}	6	13	4	4 for 1
1790									
Jan. 30	8	8	11^{6}	6^{8}	6^{2}	6^{6}	12	5^{6}	5
Feb. 28	8	8	10	6^{6}	6^{4}	6^{2}	12	4^{9}	6^{8}[?]
Mar. 31	7^{4}	7^{4}	10	6^{8}	6	6	12	4^{9}	6
Apr. 30	7	7	11^{6}	6^{8}	6	4^{9}	12^{6}	4	6
May 30	8^{6}	8^{6}	12	7	6^{8}	5^{3}	15^{6}	4^{4}	5
June 30	8^{9}	8^{9}	15	7^{6}	6^{9}	5^{4}	15^{6}	5^{6}	5
July 31	11	11	15	9	7^{2}	8	16	7	6^{8}
Aug. 31	11^{10}	11^{10}	18	10	7^{2}	8^{3}	18	7	7^{4}
Sept. 30	12^{3}	12^{3}	16	11	7^{2}	8^{3}	19	7	7^{4}

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[1] Occasionally rates of exchange are quoted, and, for a period in 1790, certain New Hampshire and Rhode Island certificates. Quotations are ordinarily in terms of shillings and pence per pound. "6 for 1" is to be interpreted as "six paper dollars for one specie dollar," equivalent to a rate of 3^{4}.

Date	Funded 6%	Funded 3%	Funded deferred	Final settlements	Loan office certificates	Specie orders	Army certificates	Indents	Consolidat'd state notes	Impost & excise orders	No. 1, 2, and 3 orders	New emission money
1790												
Oct. 31	14	7^{3}	6	12^{2}	12^{2}	15	11^{4}	7^{3}	8^{4}	19^{4}	7	7
Nov. 30	13^{9}	7^{5}	6	12^{6}	12^{6}	15	10	7^{5}	8^{5}	19	7	7^{6}
Dec. 31	18^{6}	10	8^{6}	$15^{9}-16$	$15^{9}-16$	16^{6}	$15-16$	$9^{9}-10$	12^{6}	20	7^{6}	9
1791												
Jan. [1]	17^{4-6}	9^{4}	9^{4}	$15^{9}-16$	$15^{9}-16$	$15-15^{6}$	$11^{9}-12^{4}$	9^{2-4}	$11^{11}-12$	$19-19^{6}$	$11^{6}-12$	11^{6}
Feb.	18^{6-8}	9^{6-8}	9^{7-9}	16^{8-10}	16^{8-10}	..	16	9^{6-8}	12^{6-9}	$19-19^{6}$	..	..
Mar.	18^{6-8}	9^{6-8}	9^{7-9}	16^{8-10}	$16-16^{4}$	14	16	9^{6-8}	$12-12^{6}$	19	14	10
Apr.	17^{4-6}	9^{3-4}	9^{2}	16	16	15	15	9^{4-6}	$12-12^{2}$	19	15	10
May	17^{4-6}	9^{3-4}	9^{2}	16	16	15	15	9^{4-6}	$12-12^{2}$	19	15	10
June	$18-18^{2}$	9^{6-8}	9^{6-8}	16^{10}	16	15	15	9^{10}	12^{9}	19	15	$10^{6}-11$
July	20	12^{4}	12^{3}	19^{6}	19^{6}	17^{6}	14	12^{4}	15	..	17^{6}	13^{4}
Aug.	21^{6}	12^{6}	12^{6}	20	20	18	17	12^{9}	16	..	18	13^{4}
Sept.	20^{6}	12	12	19^{6}	19^{6}	18	17	12^{4}	17^{4}	..	18	12^{6}
Oct.	21^{6}	12^{6}	13	19	19	17^{6}	14	11^{6}	14^{6}	..	17^{6}	13^{4}
Nov.	22	12^{6}	13	20	20	18	15	12^{6}	15	..	18	13^{4}
Dec.	22^{3}	13^{3}	13^{3}	20	20	18	14	13	15	..	18	15
1792												
Jan.	23^{9}	14	14	20^{6}	21^{3}	19	16	13^{4}	16	..	19	16
Feb.	24	14	14^{6}	21	21^{3}	19	19	13^{8}	16	..	19	12
Mar.	21^{8}	12^{6}	13^{6}	20^{6}	20^{6}	18	18	13	16	..	18	17^{6}
Apr.	20^{4}	11^{8}	12^{2}	20	20	17^{6}	17^{6}	12	14^{4}	..	18	12
May	22^{6}	13	14^{4}	22	22	18^{6}	16^{6}	13	15	..	18	13^{4}
June	21^{9}	12^{10}	13^{4}	21	21	18	16^{6}	12^{6}	14^{4}	..	18	13^{4}
July	22	12^{8}	13^{4}	21	21	17	16^{6}	12^{6}	14^{4}	..	18	13^{4}
Aug.	22	13	13^{6}	22	22	17	16^{6}	13	15^{3}	..	18	13^{4}
Sept.	22	13	13^{6}	21^{4}	24	17	16^{6}	13	15^{6}	..	18	13^{4}
Oct. [2]	21^{6}	12^{6}	13^{2}	21^{4}	24	17	16^{6}	13	15	..	18	12

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[1] The date of quotation is not given after 1790, but is presumably the last day of the month.

[2] Daily quotations furnished by John Marston, stockbroker, continue the series from Nov. 17, 1792, to the end of 1794. The editor's note introducing the daily series is significant: "Wishing to render our Magazine as generally useful as possible, and having been informed that our prices of Publick Securities have heretofore been inaccurate, we this month present them in a new point of view, for the accuracy of which the gentleman whose name is subjoined, is our authority." — *Mass. Magazine,* iv, 650.

APPENDIX B

PHILADELPHIA SEMI-WEEKLY QUOTATIONS OF "NATIONAL BANK SCRIP," 1791, AS PUBLISHED CURRENTLY IN THE *Gazette of the United States*

The "scrip" were temporary certificates given to subscribers who paid $25 down on subscribing. Further instalments on the $400 par value were apparently not called till January 1. The present writer does not vouch for the accuracy of the quotations.

Date	Quotation	Date	Quotation	Date	Quotation
July 13	45	Sept. 3	175–180	Nov. 2	145
16	45–48	7	160–165	5	145–148
20	48	10	140	9	140–145
23	48	14	140	12	140
27	50	17	138	16	140
30	50	21	130–135	19	140–143
Aug. 3	65	24	. . .	23	140–142
6	130–135	28	130–135	26	140–143
10	165	Oct. 1	133–134	30	140–143
13	150–160	5	133–134	Dec. 3	144
17	140–150	8	130–132	7	141
20	160–165	12	130–132	10	138
24	165–170	15	140	14	134
27	185	19	136	17	132
31	185	22	140	21	136
. . .	. . .	26	170	24	146
		29	150	28	148
. . .	. . .	. . .	. . .	31	158

APPENDIX C

NEW YORK SECURITY PRICES AT NOON AUCTIONS DECEMBER 31, 1791, FEBRUARY 3, MARCH 6, 1792, AS PUBLISHED IN THE LOCAL *Daily Advertiser* NEXT DAY[1]

December 31, 1791

"6 pr. cents p 30 days 24/1–3¼
d & p 30 days 23/10¼
p 60 days 24/6
d. 10 Jan. p 30 days 24/2¼
p Monday 23/4
3 pr cents p 60 days 14/6¼
Deferred p 60 days 14/9½
Finals for cash 21/3 int. 13/6
New-York bank shares d & p 2 May 50½–48¾
42¼ pr. cent Adv.
Complete national bank shares d & p 10 Jan. 82½–80½–82 pr. cent Adv.
d & p 1 Jan. 1793 — 80–79 pr. c^{t} adv.
2 do. 77 do.
Half shares in the national bank p & d 1 Mar. 96½ pr. cent Adv.
Cash for ¾ shares in the national Bank p 10th June 75 pr. cent Adv."

February 3, 1792

"2000 6 pr cents for cash	24s 9¼
2000 do for do	24s 8½
2000 do do	24s 8½
2000 do do	24s 8½
2000 do do	24s 8½
2000 do do	do
Wanted 10 ½ shares N B p & d 25th May	118¼ pr ct adv
10 do do	118¼
10 do do	118¼
10 do do	117¾
10 ½ shares for cash d 1 Mar	100¾ pr ct adv
10 do do	100¼ do
10 Complete shares p & d 1 May	67 pr ct adv
10 do do	67¼ do
10 do do	66¾ do
10 do do	67 do
9 Complete shares for cash d 30 days	57½ do

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[1] The sign "/" signifies shillings; "d," deliverable; "p," payable.

Wanted 2927 6 pr cts for cash on Mon.	24s 9
Do 5000 do d & p 15th April	26s 5¾
10 Complete shares N B d & p 5 July	70¼ pr ct
10 do	70 do
10 do	do
10 do	do
10 do	69¾
10 do	69½
10 do	69¼
10 Manufacturing Scrips d & p 60 days	44½ dols
4 do do	47½
4 do p & d 30 days	39½
5 Half shares N B for cash	101 pr ct adv
5 do do	do
5 do do	103 pr ct adv
2500 6 pr cents for cash	24s 9
2500 do	24s 8½
2500	24s 8½
2500	do
2500	24s 8¾
2500	do
2500	do
2500	do
2500	24s 8½
2500	24s 8½
2500	do
Wanted 10 half shares d & p 1st June	117¾
10 do	117½
Wanted 10 half do d & p June	do
10 do do	117¼
10 do do	117½
10 do do	117¾
10 do do	118
Wanted 10 do d 20th Feb p 5 Mar	110
10 do do do	109½
10 do do	110
Wanted 10	110
Do 10	do
Do 10	do
Do 10	do
Cash 5000 6 pr cents p & d 10th Inst	24s 10
5000 do	do
5000 do 15 do	24s 10½
5000 do do	do
5000 do do	24s 10
6000 3 pr cents p & d 16th inst	14s 1¾
10 Complete shares d & p 15th inst	61 pr ct adv
10 do do	do

5000 3 pr cents for cash	14s 10
5000 do do	14s 9¼
5000 do do	14s 8½
5000 3 pr cents for cash	14s
5000 do	do
5½ shares N B for cash on Monday	103
Wanted 5¾ shares p & d June	83 pr ct
2500 Deferred for cash	15s 1
2500 do	15s 1¼
2500 do	do
2500 do	do
5000 6 pr cents for cash	24s 8
5000 do	24s 7¼
2000 N Emission money for cash 40 for one	22s
Wanted 10 Manufacturing Scrips p 30 days d 30 days	37 dols
10 do do	do
10 do do	do
10 do do	do
5½ shares for cash	102½
5 do	102½
5 do	do
Wanted 5000 6 pr cents d & p 15 Inst	24s 9¾
Do 5000 6 pr cents d & p 20 Inst	24s 11
5000 Deferred d & p 22d Inst	15s 3¼
5 Complete shares N B d & p 29 Inst	61¾ pr ct
Wanted 5000 deferred d & p 15th Sept	16s 11
Do 10 Manufac. Scrips d & p 15 May	49 dolls
Do 5 Half shares d & p 1 March	108¾”

March 6, 1792

“6 pr. cents for cash 24/2—7½—6½
p 30 days 25/10¼
d & p 12th April 25/8¼
p 5th April d 5th May 24/8—6
p Saturday d 14th inst. 23/11—10½—10¾
d & p 6th Apr. 25/3¾
3 pr cents for cash 13/4
d now p 10th inst. 13/11
d & p 5th Apr. 14/5—5¾
9th Apr. 14/5¼
Deferred for cash 14/4—3½—5½—5
d p 7th Apr. 15/0½
Registered debt int. 14/6—prin. 20/5—2
½ shares for cash 90—84—83½ pr. cent. adv.
p & d 5th Apr. 98½—99 per cent. adv.
7th Apr. 100—1¼ per cent adv.
15th do. 103¼—4 per cent adv.

20th June 116¾—16 per cent. adv.
p & d on Friday 91¼ per cent. adv.
p & d 15th inst. 93¼ per cent. adv.
p & d 28th inst. 100¼ per cent. adv.
d & p 10th Apr. 100¼—2 per cent. adv.
Manufacturing scrips for cash 51—55—50 dollars
Tammanial tontine scrips for cash 12½—10¾ dol
Albany scrips for cash, 40 dollars
New-York bank shares for cash d on Friday, 57 per cent. adv.
Wanted 6 per cents d & p 1st Apr. 25/5½
½ shares d to-morrow p 30 days. 102—3¾ per cent. adv.
d & p 12th June 116½—15¾ per ct. adv.
p this day in deferred stock, at 15/ 93 per cent a adv.
1st June 116½ per cent. adv.
Complete shares p & d 10th Jan. next 81—81½ per cent adv.
p & d 20th Jan. next 82¾ per cent adv.
14th Jan. next 82¼—½ per cent adv.
Tammanial tontine scrips d 19th inst p 30 days 12¼—13½ dollars"

ESSAY III

THE "S. U. M.": THE FIRST NEW JERSEY BUSINESS CORPORATION

THE "S. U. M.": THE FIRST NEW JERSEY BUSINESS CORPORATION

CHAPTER

Evolution of the Project

On Nov. 22, 1791, the legislature of New Jersey passed an act incorporating *The Society for establishing useful Manufactures.* This company — known locally as "the Society" or by the convenient abbreviation of its formal title "the S. U. M." — is significant not merely because it was New Jersey's first contribution to the galaxy of American business corporations. It was one of the pioneer industrial corporations of the United States and the largest and most pretentious of these. It was promoted by the federal Secretary of the Treasury as an institution of large national importance. It was the founder of the city of Paterson. It is one of the very few companies of its time to survive the vicissitudes of a century and maintain an unbroken existence down to the present day.

It is the purpose of this essay to relate in some detail the history of this company, in particular concerning its origin, its launching, and its troublous early years. Certain salient facts of this history have long been known. That the Society was a favorite enterprise of Alexander Hamilton, who not only promoted but aided it; that it was floated amid enthusiasm and was granted a most liberal charter; that financial troubles beset it even before its scene of operations was chosen; that it was successively injured by the pecuniary failure of trusted directors and agents, the extravagance of its chief employees, and the inefficiency of its workmen; that its manufacturing ventures were unprofitable; and that in 1796 it put an end to its losses by discontinuing operations: these facts — albeit fragmentarily and with frequent inaccuracies in statement and implication — are set forth in numerous chronicles of Paterson, biographies of Hamilton, and historical discourses on American manufactures.[1] The local significance of the Society is perhaps fully appreciated, but as an episode in the history of our manufactures and as somewhat more than an episode in the career of Alexander Hamilton, these early years merit a fuller and more accurate treatment than they have hitherto received. Moreover, the company's experiences so well reveal typical difficulties with which early corporate enterprises had to contend that the story of them may serve to illuminate the more general discussions which constitute the bulk of the present group of studies.

The first published suggestion looking toward the organization of this company was made, in an obscure and tentative way, in a Philadelphia monthly magazine. In the issue of *The American Museum* for April, 1791, there appeared the third of a series of six anonymous articles entitled "A Brief Examination of Lord Sheffield's Observations on the Commerce of the United States of America."[2] Here, well-nigh buried in a long paragraph, is contained this observation:[3]

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[1] Two accounts deserve special mention. L. R. Trumbull, in his *History of Industrial Paterson* (1882), devotes a good deal of space to the Society in its local setting. William Nelson's paper, *The Founding of Paterson as the Intended Manufacturing Metropolis of the United States* (read before the New Jersey Historical Society in 1887), gives in its national setting the story of the first year or two. Both of these accounts are based largely on the minutes of the directors' meetings, but to some extent on other original documents; and Mr. Nelson had the further advantage of conversations with John Colt, long superintendent and himself a son of the first superintendent of the Society's plant.

[2] These were reprinted in the *Federal Gazette* (Philadelphia), April–August, 1791, and possibly in other journals, and in November they appeared in pamphlet form. They are most accessible in Coxe, *View of the United States of America* (1794), 111–285, where, as in the pamphlet, a seventh paper is added.

[3] Quoted from *American Museum*, ix, 179–180. See also pamphlet edition, p. 41, and Coxe, *View*, 165–166. Compare this suggestion with a later one by the same author probably written in the spring of 1793 (Coxe, *View*, 382 n), entitled *A Plan for encouraging agriculture, and increasing the value of farms in the midland and more western counties of Pennsylvania, applicable to several other parts of that state, and to many parts of the United States*, printed in Coxe, *View*, 384–404, and in part, supplemented by letters of Fisher Ames, in White, *Memoir of Samuel Slater*, 51–52, 283–393. For other combination projects of town and manufacturing company, see *State Gazette of S. C.*, May 1, 1796 (Hamilton Glass Factory, New York), and *N. Y. Session Laws*, Feb. 21, 1812, p. 8 (Columbiaville).

> "The first judicious European capitalists, who shall take good situations in the united states, and establish manufactories by labour-saving machines, must rapidly and certainly make fortunes. They cannot, it is presumed, be long insensible of this; but if they should continue so, the appreciation of our public stocks will bring some of our own capitalists into the business. The public creditors, the owners of perhaps fifteen millions of sterling money of now inactive wealth, might at this moment do much toward the introduction of the cotton mills, wool mills, flax mills, and other valuable branches of machine manufacturing. It is past a doubt, that were a company of persons of character and judgment to subscribe a stock for this purpose of 500,000 dollars in the public paper, they might obtain, upon a deposit of it, a loan of as much coin from some foreign nation, at an interest of less than six per cent. Was such a company to be incorporated, and have its stock transferable as in a bank [sic], to receive subscriptions from 400 dollars upwards, to purchase 500 or 1000 acres of land well situated, to receive imported materials, and to export their fabrics — were they to erect works in the centre of such a body of land, to lay out their grounds in a convenient town-plat, and proceed with judgment and system in their plan, they would be sure of success in their manufactories; they would raise a valuable town upon their land, and would help to support the value of the public debt. Were a few establishments like that described to take place (and there are room and funds for many of them) even the manufactories of *piece goods*, of every kind in which machinery could be applied, would soon be introduced with profit into the united states."

Here in outline is the proposition which was soon to be elaborated: the careful location and systematic building of a manufacturing town; the raising of a large capital by the aid of the much criticised public stocks; the introduction of labor-saving machinery on a considerable scale — all promising to combine public advantage with individual gain. Even in such details as the amount of the stock, the quantity of land to be secured, the interest rate anticipated, the emphasis on "persons of character and judgment" and on proceeding "with judgment and system," the features of the matured project are foreshadowed here. This is but natural, for the plan was already definitely under consideration, and we may infer that these suggestions were inserted in the *Brief Examination* merely with a view to testing public opinion on the subject or to paving the way for the more definite announcement which was to follow.

Privately, about the same time, there was submitted to the inspection of Thomas Jefferson, Secretary of State, a document entitled *A plan for a manufacturing establishment in the United*

States,[1] which may be quoted to show more definitely how the scheme lay at this time in the minds of the projectors.

> "It is proposed that subscriptions be opened in .... [2] for .... shares of .... dollars each, $\frac{53}{60}$ whereof to be payable in Stock of the Bank of the United States, or in the six per cent funded stock (or in an equivalent of three per cent stock) and the remaining $\frac{7}{60}$, in the six per cent *deferred* stock at its proportionate value, in order to obtain a capital of 500,000 dollars: and that the subscribers should apply for an act of incorporation from the Legislature of the State of .... and such other Legislatures as may be deemed proper.
>
> "The shares so subscribed shall be transferable in the manner of Bank or public Stock in every future stage of the Institution.
>
> "On the security and deposit of this sum of 500,000 dollars of public stock, it is proposed to borrow in Holland or elsewhere the sum of 500,000 dollars in specie to possess the company of an active capital to that amount, which it is conceived possible to effect including all expences at $5\frac{1}{4}$ per cent, or $5\frac{2\frac{1}{2}}{10}$, and for this reason it is proposed to receive $\frac{7}{60}$ or the principal of —.7 per cent in deferred debt, as the interest to be received on $\frac{53}{60}$ of 6 and 3 per cent stock will pay the interest and charges of the loan.
>
> "When the whole capital shall be subscribed, a meeting of the Stockholders shall be held at .... for the purpose of chusing out of their number .... directors, to continue in office .... year ...., who shall have authority to conduct the business of the corporation conformably with the charter and subject to the bye-laws of the Society, it being however understood that the immediate care, management and superintendance of the manufacturing business of the company shall be committed to one person, to be appointed by .... of the directors, who shall reside at the factories, and who shall be allowed an annual compensation adequate to the character and qualifications, which are requisite to the superintendance, efficient execution and profitable management of such an institution. Security for his diligence and fidelity shall be required of him, and he shall not directly or indirectly engage in the concerns of the company except as a superintendant or an open and ordinary subscriber, nor in any other trade or business.
>
> "The directors shall be authorised to purchase any quantity of land in adjacent or contiguous parcels (not exceeding .... acres in the whole) in the State of .... on some river, that is navigable from the ocean to the said land by decked vessels drawing $6\frac{1}{2}$ feet water or more, (in order to insure the cheap obtainment of fuel, raw materials &c and an outlet for their fabrics) with one or more streams of water, mill [?] or mills, for water machinery and works, bleaching and tan yards, breweries, distilleries or such other factories as may be advisable to undertake. The said tracts or parcels of land are intended to be laid out into the plat of a town or into lots with convenient and necessary lanes, alleys, streets and roads; the said lots to be sold or granted upon temporary, redeemable, or perpetual ground rents or rent

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[1] This is preserved in the collection of *Jefferson Papers* in the Library of Congress, with the letter of Tench Coxe to Jefferson of April 15, 1791, quoted below.

[2] At points so marked blanks appear in the manuscript.

charges to manufacturers, tradesmen and others, who may incline to contract for them, retaining such as are necessary to the command of the water, that may be capable of application to mills and machines, tanyards, or manufactories of any kind.

"It is proposed that the Legislature of . . . . be applied to at the commencement of the institution and from time to time afterwards for the purpose of opening roads, establishing turnpikes, cutting canals, and improving the inland navigation leading to the interior parts of the State or to places in other states, the communications with which will be beneficial to the said city: also to authorise lotteries for defraying the first expences and for the purpose of disposing of such of the lots of the company as it may be advantageous to sell in that way in order to interest a large number as well of the citizens of the United States as of foreign countries in the proposed city.

"Applications are proposed to be made to Congress to conduct (if possible) the post road through the said city, ... to increase the duties upon such articles as shall be seriously & systematically undertaken, and otherwise to foster and encourage the institution.

"The objects to which the stock can be applied with the greatest advantage appear to be such articles as are of considerable bulk, of general consumption, consequently almost or absolutely of necessity, and which are either made by such labour saving machines, as the cotton mills, flax mills, rolling and slitting mills, the tilt hammer, forges, powder mills, paper mills &c or by labour saving processes, such as glass works, tanning, steel making, brewing, distilling, glue making, starchmaking &c or by labour-saving slight [?], as in the manufactory of wire; wool and cotton cards; printed cottons, linens and paper; shovels; hinges, nails &c The two first classes promise the greatest profit, though the latter well deserves consideration. Glass works are of great importance to this country, and with an adequate capital would probably yield good returns, but they might not at present be conducted with the greatest advantage in the proposed city. But in those instances wherein there is coal at hand, they may be introduced there at once. The city of Bristol in Britain has fifteen capital Glasshouses in which coal alone is used, as it is supposed.

"In regard to the expectations from the scheme they are

"1st. That a capital in specie applied to labour saving machines &c working in raw materials as cheap or cheaper than in Europe must yield a very handsome advance upon the six, seven, or eight per cent produce of public funds or Bank Stock.

"2.ndly That the operation must favour the holders of the public debt and Bank stock by creating a new object for them, and taking large sums out of the market.

"3.dly That the purchase of lands at or near their value as farms which is a perfectly safe operation, promises, by the addition of an extensive, well placed, healthy manufacturing establishment, to yield a very handsome profit to the concerned, by the mere advance upon the lots.

"4.thly That the freight, insurance, commissions in Europe or the United States, damage, costs of packages, custom-house charges,

> compensation for credit, storeage, carting, and importer's profit being 15 per cent upon every importation of the *finest* kinds of the goods we should manufacture in the first seven years, afford an advantage, more than double the medium dividends on Bank or public Stock: and that profits such as the European Manufacturers enjoy are moreover to be expected in all cases wherein labour-saving machines and processes are employed. These will enable the Society to avoid the means of manual labour, which, from the high rate of wages, is urged against such factories as are now conducted, in that way, in the United States."

The author of the *Brief Examination* was Tench Coxe of Philadelphia, since May 10, 1790, Assistant Secretary of the Treasury. It was he who, in a letter dated April 15, 1791, enclosed to his friend Jefferson the *Plan* just quoted.[1] Of it he says:

"Should you desire to reserve a copy of the document now sent, I beg leave to remark that it may be expedient to confine it afterwards to your private office, as you will perceive there are several delicate points, which are re...ed[2] too visible to admit of an exposure to any, but very confidential members of the government.

"I have taken the liberty to enclose to you a plan of a manufacturing establishment which it is possible may apply happily in the federal district.[3] I am not certain that any but the fine arts are desirable in a great degree at the actual seat of Congress, but in a tract of 64000 Acres there may be a scene, wherein a great power of water may be found, and in which this scheme might be carried into execution. It is a favorite idea of mine on the subject of manufactures, that this country should endeavour to employ in them, as much as possible, the great labour saving machines. Agriculture being the most natural employment, & manufacturers being often an intemperate and disorderly class of people [sic] modes of manufacture which do not require them, and which indeed in a certain degree supercede the occasion for them, appear to be very desirable. This sketch is meant to be disposed of as you may think proper: I have retained a copy of it, if I should have occasion for it. I would just observe, that the mode of raising *the fund* was obtained from the Secretary of the Treasury, who has every reason to believe that an establishment embracing the principal ideas in the plan will be very soon attempted in New Jersey upon subscriptions from New York, New Jersey & Pennsylvania. It may be worth considering whether the Potomack Navigation company[4] might not find it their interest to admit of sales of shares for 6 ℘ Cent stock estimated at par, and when they shall have sold the whole a loan at 5¼ ℔ Cent might be effected. The public paper would yield an interest more than equal to what they would have to pay and when our funds rise to par the paper might be sold, & the debt in specie discharged."

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[1] *Jefferson Papers*, Series 2, xv, 89, 90. See also Coxe's letter of April 24, 1791, to Samuel Johnson of Connecticut, then in England: *Johnson Papers* (Conn. Hist. Soc.).

[2] Manuscript illegible.

[3] The act of July 16, 1790, had made provision for the new seat of government, and Jefferson was partly responsible for its development.

[4] This company was having financial difficulties: see Essay IV, chap. 3.

It might appear from this letter that Coxe was the originator of the scheme, except for the prominent and essential, if astonishing, plan of finance. This is not impossible. He was at the time perhaps the foremost advocate of the development of manufactures in the United States.[1] His interest in them dated back to 1775 when, at the age of twenty, he became a member of the *United Company of Philadelphia for Promoting American Manufactures*, one of the earliest joint stock manufacturing undertakings of the country.[2] In June, 1787, in an address before the *Society for Political Inquiries*, he had expressed the view that the encouragement of commerce and manufactures was essential to the progress of agriculture.[3] In August of the same year he delivered the address at the founding of the *Pennsylvania Society for the Encouragement of Manufactures and the Useful Arts*,[4] and in this organization he played a prominent part, serving for a time on its manufacturing committee. In March, 1790, on the eve of his appointment to the Treasury, he communicated to his friend Madison, member of Congress, a long-cherished suggestion that Congress should appropriate a million acres of the most valuable western land

> "as a fund to reward the introduction of Machinery inventions, arts, and other things of that nature from foreign countries, and Inventions and discoveries first communicated to us by Natives or foreigners . . ." [5]

Articles from his pen, acknowledged or anonymous, were of frequent appearance in the gazettes and magazines of the day, chiefly on subjects relating to commerce and industry.[6] Indeed it was probably his knowledge in this field and his literary ability that recommended him to Alexander Hamilton at a time when the preparation of the report on manufactures was an important task of the Treasury Department.[1]

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[1] No adequate biography of Coxe exists. See, however, Simpson, *Eminent Philadelphians*, 259–268; White, *Memoir of Samuel Slater*, 48–52, 177–182; and the genealogical article by Gregory B. Keen, in the *Pa. Mag. of Hist. and Biog.*, v, 457–458 (1881).

[2] See Essay I, *supra*, 95.

[3] Printed in *American Museum*, i, 432–445 (June, 1787).

[4] *Ibid.*, ii, 248–259 (October, 1787). On this society see Essay IV, chap. 5.

[5] *Madison Papers*, xvii, 80: letters of March 21, 31.

[6] It was a collection of these that he published in 1794 with the title, *A View of the United States of America. . . .*

In later documents, however, the whole scheme is almost invariably attributed to Hamilton, his chief, and never to Coxe. An explicit statement to this effect appears in a defence of the undertaking — obviously written by one familiar with its history — which was published in the *Gazette of the United States* of Sept. 22, 1792;[2] and Coxe himself, in a letter to Hamilton written about the same time, refers to the scheme as "so salutary a plan, which has been devised by you."[3] At all events the plan sprang from the Treasury Department, and it is probably accurate to say that the idea developed out of the intercourse there between the two men, Coxe supplying suggestions from the side of manufactures and Hamilton elaborating the details and furnishing the connection with his first-born political child, the funded debt.[4] It is natural that in a communication to Jefferson Coxe's share in the authorship should be made the most of, for Jefferson was congenitally opposed to Hamilton, though not yet frankly hostile to him.

The passage in Coxe's published *Brief Examination* attracted no appreciable attention and there is no evidence that Jefferson gave much thought to the *Plan*. In the next three months, however, the scheme was further "digested," and eventually subscriptions were privately sought.[5] By the middle of August such progress had been made that it was deemed proper to issue a statement to the press. Accordingly the gazettes of Philadelphia and elsewhere reported:[6]

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[1] Cf. letter of Hamilton to Timothy Pickering, May 13, 1790: *Pickering Papers*, (Mass. Hist. Soc.), xl, 336.

[2] *Observations of a Freeman*. See *infra*, 447.

[3] Undated letter, probably written in July, 1792: *Hamilton Papers*, xiii, 138–139. The Hamilton manuscripts in the Library of Congress are now arranged chronologically, but where a date is missing it seems best to give the old reference.

[4] The funding bill was passed Aug. 4, 1790.

[5] See *infra*, 370–373.

[6] *Gazette of the U. S.* (Philadelphia), August 17; *General Advertiser* (Philadelphia), August 18; *N. J. Journal* (Elizabeth Town), August 24. The first two append this paragraph: "There are characters in the United States who are in-

"We are informed that a plan to promote American manufactures is now on foot, which will embrace this important object upon a scale hitherto unattempted in this country. We are assured that upwards of $123,000 have already been subscribed towards carrying the plan into execution.

"A situation in the Jersies, we are also informed, is contemplated as the most eligible for the prosecution of the business."

The public curiosity having been whetted by this announcement, there was published early in September an elaborate prospectus.[1] This had been privately circulated in securing subscriptions,[2] and, after some modification,[3] it was printed in the newspapers to interest the public in the matured project. A summary of the contents of this document is worthy of recital here, not merely because it sets forth in detail such of the aims, plans, and expectations of the promoters as they considered it wise to put before the public,[4] but also because it gives ordered expression to a group of ideas which reappeared three months later in a famous state paper.

The brief opening paragraph adverts to the deep interest of the community in the development of domestic industry:[5]

"The establishment of manufactures in the United States when maturely considered will be found to be of the highest importance to their

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defatigable in their labors for the public good — favored by the author of nature with comprehensive powers of investigation, and having their minds strongly impressed with patriotic views, the force of their genius is constantly exerted to devise such plans as may increase the objects of profit and employment, strengthen our public credit, and reduce the public debt. May their labors be crowned with success — their exertions, at all events, must receive the approbation of their country." The reference is clearly to Hamilton.

[1] *Federal Gazette* (Philadelphia), September 5; *American Daily Advertiser*, September 7; *General Advertiser*, September 7; *Gazette of the U. S.*, September 10; *Brunswick Gazette* (New Jersey), September 13, 20; *N. J. Journal*, September 14; *Argus*, (Boston), September 23, 27.

[2] The late Mr. Nelson long possessed one copy of this with signatures of subscribers.

[3] See Hamilton's letter to Duer, Aug. 17, 1791, referring to a meeting of subscribers held August 9: "I am impatient for the alterations which were agreed upon . . .": Hamilton, *Works*, v, 478. Except where specially noted, references to Hamilton's *Works* are to the J. C. Hamilton edition.

[4] Differences from the outline submitted to Jefferson, quoted above, will be readily noted.

[5] Quotations here are from the manuscript copy in the *Hamilton Papers*, xiii, 144–151, where it appears without date or heading, but in substantially the form copied in the various newspapers.

prosperity. It seems an almost self evident proposition that communities which can most completely supply their own wants are in a state of the highest political perfection. And both Theory and Experience conspire to prove that a nation (unless from a very peculiar coincidence of circumstances) cannot possess much *active* wealth[1] but as a result of extensive manufactures —"

This document, however, was not intended as a state paper, but as an appeal to investors. Hence the bulk of it is devoted to a demonstration that "the interest of individuals may equally be promoted by the pursuit" of the same object, first by arguments showing the advantages and disadvantages experienced by present manufacturers or about to be experienced, then by presenting a plan whereby the advantages may be secured and the disadvantages avoided or overcome.

Attention is called to the cheapness of provisions and many raw materials and the relative disadvantages of foreign producers in respect to cost of transportation (represented as ranging from fifteen to thirty per cent), to say nothing of import duties. Against the objection that labor is dear there are urged the possibilities of utilizing labor-saving machines and the labor of women and children, and further of engaging emigrants "on reasonable terms in countries where labor is cheap" and bringing them to America.

Especial pains are taken to refute the objection of deficiency of capital for such enterprises. The prime defect of existing manufacturing undertakings — successful though many have been[2] — is indeed that they have been, generally speaking, "bottomed on very slender resources": "Scarcely any manufacture has been undertaken upon a scale sufficiently extensive or with a due degree of system." But it is denied that the primary difficulty is insufficiency of capital now available for proper investment.

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[1] Meaning probably specie and wealth readily convertible into specie. Cf. Hamilton, in his unpublished defence of the funding system: "All property is capital; that which can quickly and at all times be converted into money is active capital": *Works* (Lodge ed.), vii, 406.

[2] Here as in the Report on Manufactures the tendency is to gloss over the failures and paint in glowing terms the successes in domestic manufactures. Cf. the reports to Hamilton by his agents in various states: *Hamilton Papers*, 1791, esp. June–November.

"The last objection disappears in the eye of those who are aware how much may be done by a proper application of the public Debt — There is the resource which has been hitherto wanted. And while a direction of it to this object may be made a mean of public prosperity and an instrument of profit to adventurers in the enterprise, it, at the same time affords a prospect of an enhancement of the value of the debt; by giving it a new and additional employment and utility. . . .

"To remedy this defect, an association of the Capitals of a number of Individuals is an obvious expedient — and the species of Capital which consists of the public Stock is susceptible of dispositions which will render it adequate to the end. There is good reason to expect that as far as shall be found necessary money on reasonable terms may be procured abroad upon a hypothecation of the Stock.[1] It is presumable that public banks would not refuse their aid in the same way to a solid institution of so great public utility.[2] The pecuniary aid even of Government,[3] though not to be counted upon ought not wholly to be dispaired of. And when the Stock shall have attained its due value so that no loss will attend the sale all such aids may be dispensed with. The stock may then be turned into specie without disadvantage whenever Specie is called for.

But it is easy to see that upon a good Capital in Stock an effective credit may be raised in various ways which will answer every purpose of specie; independent of the direct expedient of borrowing." [?]

In view of the repeated emphasis on this plan of finance, it may be remarked parenthetically that the operation of a funded public debt as capital was a favorite one with Hamilton. The essence of this view was that such "stocks" partook of the nature of money and investments — they were at once income bearers and (for certain important transactions) an acceptable circulating medium; thus they served the business man as admirable security for loans and as economical "liquid assets," and their holders were in a far better position to invest in new undertakings than if their investments were in real estate, the typical investment of that day. The idea is often loosely or inaccurately expressed, even by Hamilton, but for his day it was essentially true.[4] As to the working of the delightful scheme of operating on funds borrowed at lower interest than the income yielded by the collateral, something will be said below.[1]

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[1] The official relations of Hamilton and the private relations of Duer with Dutch and French bankers made this a not unreasonable expectation. See *American Museum*, xi, App. III, 28 (1792), for a contemporary expression of Dutch financial confidence in Hamilton, and cf. Essay II, esp. chap. 3.

[2] Cf. the letter to Seton, *infra*, 419–420.

[3] This expression commonly connoted the federal government. Cf. the *Plan* submitted to Jefferson, *supra*, 353.

[4] For some of Hamilton's expressions on the subject, see his *Works*, i, 257, iii, 5–6, 141–143, 526; *ibid.*, (Lodge ed,), vii, 188–190, 406–409. For the argument in

The prospectus proposes, accordingly, that subscriptions be "set on foot" to raise an initial capital of not less than $500,000; that when $100,000 shall have been subscribed an application be made for a charter, in New York, Pennsylvania, or New Jersey, but preferably the last, for reasons briefly stated;[2] and that as soon as the raising of "a proper Capital" is assured, steps be taken to secure from abroad "such machines and implements as cannot be had here in sufficient perfection," and a few workmen specially skilled in the different branches of manufacture to be undertaken.

It is optimistically submitted that success would be morally certain in the making of paper and pasteboard, paper hangings, sail cloth and other coarse linen cloths, stockings, ribbons and tapes, thread and fringes, blankets, carpets, "Chip Hats," women's shoes, pottery and earthen ware, brass and iron wire; the printing of cotton and linen goods and some incidental manufacture of such goods for printing;[3] while as an auxiliary undertaking "a brewery for the supply of the manufacturers" is suggested as worthy of consideration.

A rough but comprehensive draft of the proposed charter, quite similar to the act eventually passed,[4] is set forth at length. Attention is especially called to the desirability of making provision "for incorporating the Inhabitants of the district . . . which shall be chosen . . . as the principal seat of their factories . . .,"

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the debate on the "funding system," see *Annals of Congress*, i, 1098–1099, 1137, 1168–1169, ii, 1433–1444. Cf. also Hume, *Essay on Public Credit* (1752); Blackstone, *Commentaries* (1765), i, 328; Coxe, *View*, 301–302; "Agricola," in *American Museum*, vi, 294–295 (October, 1789); Bullock, *Selected Readings in Finance*, chap. 21. C. A. Beard presents some of this material in his *Economic Origins of Jeffersonian Democracy*, (New York, 1915), 116–125.

[1] See *infra*, 473 ff.

[2] See *infra*, 375.

[3] It is not clear why so little emphasis is placed on the manufacture of cotton goods, which seem to have been in mind as a principal object from the outset. Possibly the danger of criticism by other infant enterprises in this field was a factor.

[4] Significant omissions relate to exemptions of workmen from taxes and militia duty, and the right to construct and operate canals. See discussion of the charter, *infra*, 384–385, 388.

with a view "to the police of the establishment," — a provision reflecting the current view of the disposition of "manufacturers" which had been expressed in Tench Coxe's letter to Jefferson.[1] Emphasis is also laid on the proposed request for permission "to institute a Lottery or Lotteries for the term of five years" for not more than $100,000 in any one year, for the purpose of giving "a temporary command of money" and "indemnifying for first unproductive efforts." It is quietly suggested that

> "It may also be found eligible to vest a part of the funds of the company in the purchase of ground on which to erect the necessary buildings, &c. A part of this ground, divided into town lots may be afterwards a source of profit to the company."[2]

Finally it is pointed out that

> "The management of the affairs of this Company, will require that an Agent should be appointed to superintend all the different works and the disposition of the articles manufactured in conformity to the General regulations of the Directors . . . , a man of information, thoroughly a man of business, of probity and diligence and energy,"

though not necessarily versed in the technicalities of the several manufacturing processes; and for such a general manager a generous compensation should be provided.

Certain features of this prospectus can be appreciated better in the light of contemporary opinion regarding manufactures in America, two typical expressions of which may be cited.[3] In October, 1786, Colonel Humphreys remarked in a debate in the Connecticut assembly:

> "As long as we continue an agricultural people, (and such we shall be while lands are so plenty and so cheap) we cannot expect to carry our manufactures to any high degree of perfection. It is certainly well worth our while, however, to promote those of nails, cordage, coarse woollens, linens, &c. But should we attempt great establishments, or finer fabricks, the moment they [the manufacturers] shall have acquired a little property,

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[1] See *supra*, 354.

[2] This feature, like that of the cotton goods manufacture, is given much less prominence here than in the earlier suggestions and in the operations of the company. It probably needed no emphasis, in a day when speculation in lands was all the rage.

[3] *Mass. Centinel*, Nov. 1, 1786. Cf. Brissot, *New Travels*, ii, 117–118; Cooper, *Information Respecting America*, 1–2; and references *infra*, 364, note 3. For contrary opinions see *American Museum*, v, 254–257, 493–495 (1789), and *N. Y. Journal*, Sept. 10, 1791.

they will all become cultivators of the earth. — So much more agreeable is that profession!"

"DeWitt" writes in the *Massachusetts Centinel*, February, 1787:

> "we are not yet ripe for manufacturing; and that manufactures can only be carried on to advantage in states full of people, and whose labour is low . . . , so far only as respects great manufactures in general, which cannot be carried on, but by rigid system, and immense capitals; but by no means concludes against *all* manufactures universally."

Although a spirit of optimism had spread in the succeeding years, such views were still widely held. It is fair to say that the promoters of the new undertaking were making an attempt directly in the face of current unbelief.

Furthermore, the elaborate prospectus both illuminates and is illuminated by Hamilton's well-known Report on Manufactures, which was contemporaneous in its preparation with the promotion of the S. U. M. and was submitted to Congress two weeks after the Society was safely incorporated.[1] The occasion for this report, it will be recalled, was a resolution of the federal House of Representatives of Jan. 15, 1790, which, in accordance with a recommendation in the President's address, directed the Secretary of the Treasury

> "to prepare and report to this House, a proper plan or plans, . . . for the encouragement and promotion of such manufactories as will tend to render the United States independent of other nations for essential, particularly for military supplies."[2]

Hamilton interpreted this request in its broadest possible sense, studied the theoretical aspects of the domestication of industries, and set on foot a comprehensive investigation into the state of existing manufactures in the United States — their extent, variety, degree of success, obstacles, and potentialities. Most of the information gathered from agents in the several states seems to have come in during the summer of 1791,[3] but the outstanding facts were known much earlier. From the report and the correspondence auxiliary to it there is no doubt that this document and the S. U. M. were the *joint* outcome of the investigations which Hamilton and Coxe conducted. Certain portions of the report may be cited here to show the trend of Hamilton's thought and as well to throw additional light on various details in the New Jersey scheme.

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[1] Dec. 5, 1791: *Annals of Congress*, iii, 227. In the section on cotton the New Jersey society is thus mentioned: "In addition to this [referring to existing establishments], it may be announced, that a society is forming, with a capital which is expected to be extended to at least half a million of dollars, on behalf of which, measures are already in train for prosecuting, on a large scale, the making and printing of cotton goods": Hamilton, *Works*, iii, 272.

[2] *Annals of Congress*, i, 933, 1058.

[3] See *Hamilton Papers*, 1791, and Culbertson, *Alexander Hamilton*, chap. 8.

It need hardly be said that, in the process of preparing the report, the Secretary had become strongly impressed with the large importance of developing domestic manufactures in general,[1] and we may pass by the arguments he offered to bring others to adopt the same viewpoint.[2]

His inquiries had indeed made apparent a number of obstacles which confronted the manufacturers — unskilled or careless workmen, imperfect machinery, inadequate "capitals," high rates for loans, burdens on workmen imposed by direct taxes and militia duties,[3] and the like.[4] He was made highly conscious of

> "the intrinsic difficulties incident to first essays toward competition with those who have previously attained to perfection in the business to be attempted;"[5]

and those also which were due to

> "the bounties, premiums, and other artificial encouragements with which foreign nations second the exertions of their own citizens in the branches in which they are to be rivalled."[5]

There was also brought home to him a no less serious "impediment" purely psychological, which operated to prevent the spontaneous growth of manufactures for which natural conditions were ripe:

> "the strong influence of habit and the spirit of imitation; the fear of want of success in untried enterprises; . . . apprehension of failing in new attempts."[5]

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[1] For earlier manifestations of interest, see his *Works*, ii, 12, 20, 28, 113–115.

[2] *Ibid.*, iii, 204–213, 236–242. References to the report will be to pages of the *Works*, iii, 192–284.

[3] Cf. a petition of Philadelphians for exemption of apprentices from militia duty, January, 1791: *American Museum*, ix, App. III, 6–7.

[4] For persuasive reasons, these specific obstacles are not stressed in the report, though certain taxes come in for direct criticism (pp. 257–258); but see the letters from his agents.

[5] P. 217.

At the same time he was convinced that these obstacles were surmountable. He regarded as of large significance the presence of cheap raw materials [1] and the saving of importation expenses.[2] He discounted the objection of "scarcity of hands" or "dearness of labor" [3] in view of the comparative density of population in certain parts of the Union,[4] the possibilities of utilizing the labor of women and children,[5] introducing machinery run by fire or water as a partial substitute for manual labor,[6] and attracting skilled artisans from Europe.[7]

Hamilton further waxes enthusiastic, as I have intimated above, over the virtual increase of the liquid capital of the country afforded by the recent funding of the national debt [8] and the introduction of additional banks,[9] which seemed to him to make no longer tenable the position that little or no capital was here available for investment; nor was he skeptical of attracting European capital for private enterprises in America.[10]

Moreover, from the standpoints both of capital and of labor, he deemed the time fully ripe for the development of manufactures here. On this point he writes confidently: [11]

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[1] P. 222.

[2] P. 223. These "cannot be estimated at less then fifteen to thirty per cent on the cost . . . at the manufactory," the percentages stated in the prospectus. Cf. Coxe, *View*, 46–47. Coxe's influence upon the report, by no means inconsiderable, is apparent from a study of his earlier writings, as the references here given will suggest.

[3] Pp. 219–221. This was the favorite objection of the day. Cf. Jefferson to Thomas Digges, June 19, 1788: "In general it is impossible that manufactures should succeed in America from the high price of labour": *Works* (Ford ed.), v, 27–29. See also Coxe, *View*, 32, 38; address ascribed to Coxe, in *American Museum*, iv, 340–346, esp. 342 (October, 1788); William Barton, *Essay on the Promotion of American Manufactures*, in *ibid.*, ii, 257–260, esp. 258 (September, 1787).

[4] Pp. 219–220; Coxe, *View*, 13, 99, 198–199.

[5] P. 220; Coxe, *View*, 40, 55.

[6] Pp. 220–222; Coxe, *View*, 38–40, 99.

[7] Pp. 220, 244, 282–283; Coxe, *View*, 42, 83, 99.

[8] Pp. 226–232; Culbertson, *Alexander Hamilton*, 78–80, 84, and *supra*, 351–352, 354–355.

[9] P. 224. Cf. letter of Samuel Patterson to Hamilton, dated Edinburgh, Feb. 10, 1791: "Many people here are of opinion, That the Prosperity & flourishing State of Britain Is far more owing to the Establishment of *Banks* than to the National Debt": *Hamilton Papers*. Cf. Essay IV, chap. 2.

[10] Pp. 224–226, 243. With good reason; cf. Essay II, chaps. 3, 4, and Essay IV, chaps. 2, 3.

[11] P. 243.

> ". . . it merits particular attention, that there are circumstances which render the present a critical moment for entering, with zeal, upon the important business of encouraging manufactures. The effort cannot fail to be materially seconded by a considerable and increasing influx of money. in consequence of foreign speculations in the funds, and by the disorders which exist in different parts of Europe.
>
> "The first circumstance not only facilitates the execution of manufacturing enterprises, but it indicates them as a necessary mean to turn the thing itself to advantage, and to prevent its being eventually an evil. If useful employment be not found for the money of foreigners, brought to the country to be invested in purchases of the public debt, it will quickly be re-exported, to defray the expense of an extraordinary consumption of foreign luxuries; and distressing drains of our specie may, hereafter, be experienced, to pay the interest and redeem the principal of the purchased debt."

Such funds may indeed find satisfactory employment

> "in agricultural meliorations, in opening canals, and in similar improvements. . . . But there is reason to doubt, whether, in such channels, it is likely to find sufficient employment; and still more, whether many of those who possess it would be as readily attracted to objects of this nature, as to manufacturing pursuits, which bear greater analogy to those to which they are accustomed, and to the spirit generated by them.
>
> "To open the one field, as well as the other, will at least secure a better prospect of useful employment for whatever accession of money there has been or will be."

Furthermore, he continues, obviously with reference to the speculative activity of the day, which was already arousing hostile criticisms of the speculators and of himself for having furnished them with material in which to revel:[1]

> "There is, at the present juncture, a certain fermentation of mind, a certain activity of speculation and enterprise, which, if properly directed, may be made subservient to useful purposes; but which, if left entirely to itself, may be attended with pernicious effects."

Finally, he remarks,

> "The disturbed state of Europe inclining its citizens to emigration, the requisite workmen will be more easily acquired than at another time; and the effect of multiplying the opportunities of employment to those who emigrate, may be an increase of the number and extent of valuable acquisitions to the population, arts, and industry, of the country."

[1] P. 244. See Essay II, chaps. 4, 7; *infra*, 373–374; and letter of Elisha Colt of Hartford to John Chester, Aug. 21, 1791, complaining of the diverting influence of speculation: *Hamilton Papers*. Cf. also Clavière, quoted *supra*, 157.

The Secretary accordingly urges upon Congress the adoption of measures calculated to excite "the confidence of cautious, sagacious capitalists, both citizens and foreigners," and to offset both "the natural disadvantages" of new undertakings and "the gratuities and remunerations which other governments bestow;[1] and among various possible methods of assistance he recommends the offering of bounties,[2] the levying of protective duties,[3] and the appointment and financing of a commission to discharge effectually the task, already attempted by organizations like the Philadelphia society,[4] of stimulating by prizes and premiums the perfection of machinery and processes of manufacture, and even of securing artisans from Europe.[5]

It is now apparent how nicely the manufacturing plan and the Report on Manufactures supplemented each other. The state paper was calculated to educate the public and to stimulate Congress to take positive measures to encourage industries. The concrete plan was an attractively devised appeal to the private capitalist and entrepreneur to set about manufacturing.

It was characteristic of Hamilton not to be content with mere recommendations when he was in a position to take positive steps to achieve an end which he conceived to be important. Such was the case here. A single large corporation might of itself do much to promote the establishment of "useful manufactures" in America, but its successful operation would do far more than argument to prove their feasibility and would convert into a positive stimulus to their extension that very "spirit of imitation" which till now had served chiefly as a check and a hindrance.[6] Of such a possibility Hamilton had a beautiful illustration near at hand. No commercial bank had been established till early in 1782. This, the Bank of North America, promptly justified its right to exist. Forthwith two others sprang up on its model, and within a few years the country was adequately served with banking facilities, to its great advantage. A student of banking history is prone to believe this development waited on the "breaking of the ice" by some prominent institution. If in banking, why not in manufacturing? Moreover, Hamilton's study of existing manufactures had revealed their greatest obstacles, the principal mistakes to be avoided, the safeguards necessary to be secured, and certain methods promising to pursue. He enjoyed the confidence of the capitalist class, at home and abroad, and was in touch with several prominent entrepreneurs. He was in a position to give personal support to such an institution if it were established within reach of the centre of the federal government, now at Philadelphia. His official position promised to be of service to the enterprise; he had already carried his point with respect to the funding of the national debt, the assumption of the state debts, and the founding of a national bank; and subscribers to the scheme may well have felt assurance that his recommendations of legislative encouragement — many of which would clearly have benefited the Society [1] — would not fall on deaf ears. So he had promoted the company and, without becoming a shareholder, was even now working on its behalf.[2] That he was willing for this cause to expend infinite pains and no little energy out of the midst of an extraordinarily busy life; to endure additional criticism from those who would misinterpret his motives; and even, on one or two occasions, to overstep the bounds of official propriety [3] — this affords new evidence of the intensity of the convictions to which he gave expression in his famous Report.

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[1] Pp. 217–218. Cf., in the *Hamilton Papers*, xiii, 104, an undated memorandum on this subject from some one in Scotland, perhaps Samuel Patterson.

[2] Pp. 246–251.

[3] Pp. 244–245.

[4] Pp. 251, 283–284; and see Essay IV, chap. 5.

[5] Pp. 282–284 and see *infra*, 399. Among the *Hamilton Papers* appears a letter dated Glasgow, July, 1790, from "A Hosier," "To the Manager or Partners of a Company for Weaving Cotton Cloth late got up or Erected in Philadelphia," in which aid of emigration is earnestly begged. Patterson, in his letter of Feb. 10, 1791 (quoted *supra*, 364 n), urges the expediency of this policy.

[6] Note the mention of this in the *Observations of a Freeman*, quoted *infra*, 447.

Despite the influential backing of the Secretary of the Treasury the project was distinctly a bold one. The widespread feeling that American manufacturers were sure to be powerless to compete with those of Europe, which Hamilton recognizes in the opening sections of his Report,[1] had by no means died out. The success of existing ventures had not been great. Hamilton indeed represented them most optimistically, referring to "the complete success . . . in some valuable branches" and "the promising symptoms which attend some less mature essays in others," [2] and concluding: [3]

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[1] Nelson, *Founding of Paterson*, 181, calls attention to his recommendations for the repeal of the duty on raw cotton and the grant of a bounty on manufactured cotton, which, like other bounties, was to extend only "to those manufactories at which the making of the article is a regular trade." See also the attacks on Hamilton, *infra*, esp. 436.

[2] See *infra*, 398–402.

[3] See *infra*, 419, 421.

> "To all the arguments which are brought to evince the impracticability of success in manufacturing establishments in the United States, it might have been a sufficient answer to have referred to the experience of what has been already done. It is certain that several important branches have grown up and flourished, with a rapidity which surprises, affording an encouraging assurance of success in future efforts."

In fact, however, many of the ventures, particularly in the textile manufacture which was planned to be of major importance in the S. U. M., were in a precarious condition and had already entailed considerable losses.[4] The more guarded expressions which Hamilton employs in describing certain of these enterprises [5] — "promising" and "pleasing essays," "seem to have overcome the first obstacles to success," "have attained a considerable degree of perfection" — these were as strong as the facts warranted, but hardly adequate to inspire investors with confidence or enthusiasm. There is no reason to doubt the word of "A Citizen" of Boston, who wrote of manufactures in the *Columbian Centinel*, Jan. 18, 1792:

> "it is as generally known, the gentlemen interested in establishing them, were actuated by principles of generosity and patriotism, as that they are extant, and are satisfied, by the receipt of a profit of six per centum per annum, and that too, without being guaranteed, in the attendant risks. — Indeed, I am sorry to say, that very few enterprizes in the manufacturing line, in this town have ever been fraught with other consequences than those of disappointment, and absolute loss."

Furthermore, large-scale capitalistic enterprise was in its infancy. The only corporation with capital as much as a million dollars was the recently floated *Bank of the United States*, not yet in operation. Two banks alone were now employing capitals of as much as half a million.[1] The largest canal and navigation company yet chartered had authority to raise only $400,000, and none had succeeded in actually securing that much. Manufacturing capitals were smaller still. The Manufacturing Fund of the Pennsylvania Society probably did not amount to more than £2500 or £3000;[2] the Hartford woollen manufactory had a stock of some £2800;[3] $4000 was invested in the buildings and $2200 in the tools of the Boston sailcloth manufactory;[4] and the glass factory at the same place had lately spent for plant, equipment, and materials some $11,000.[4] One J. F. Amelung claimed to have invested £20,000, Maryland currency, in a glass factory at Frederick, Md.[5] These were perhaps typical of the larger sort. It is not altogether improbable that the million dollars which the new concern was authorized to raise exceeded the total then invested in joint stock manufacturing enterprises.[6]

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[1] P. 193. [2] Pp. 193–194. [3] P. 232.

[4] See the letters of Hamilton's correspondents, esp. July–September, 1791, in the *Hamilton Papers;* and *Annals of Congress*, ii, 1630–1632.

[5] Pp. 275–277.

On the other hand Hamilton did not at all overestimate, as we shall see, the risk-taking spirit of the day; and as the proposition was finally set forth it made a distinct appeal to men of this spirit. It offered the prospect of considerable gains not only from manufactures of any sort desired, but also from the enhancement of land values in the proposed town; extensive lottery privileges were to buttress the institution; since the stock might be paid for either in specie or in public stocks, and temporary surpluses invested in these funds or in stock of the new national bank, the company was to be closely linked up with the increasingly active stock market, where the shares of the company itself might be expected soon to attain a position of independent importance. In fine, a nicer assortment of speculative possibilities could hardly have been thrown together. For at least the launching of the company, then, the prospects were not unfavorable.

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[1] Banks of North America (1781) and New York (1784).

[2] *American Museum*, iv, 404–409, v, 268–269; by act of March 26, 1789 (*Session Laws*, 58) the state gave it £1000.

[3] Letter of Peter Colt, July 21, 1791, in *Hamilton Papers*.

[4] Letter of Sam Breck to Hamilton, Sept. 3, 1791, in *ibid.*

[5] Report of Congressional Committee, June 2, 1790, in *American State Papers, Finance*, i, 62.

[6] Cf. *infra*, 388.

CHAPTER II

FLOTATION AND INCORPORATION

OF the flotation few details can be learned. John C. Hamilton says of his grandfather:[1]

> "A number of his personal friends, being induced by him to subscribe the requisite capital, he obtained, from the legislature of New Jersey, a charter, of which, the provisions are eminently adapted to its object."

But there is no evidence that the Secretary played any considerable direct part in securing either subscriptions or the charter. It is true that Elias Boudinot, who headed the list of petitioners for the charter, and William Duer, first governor of the company, were among Hamilton's most intimate friends,[2] and that Nicholas Low, like these two a member of the preliminary organization committee of the Society, had been a director of the Bank of New York — a Hamiltonian institution — since its foundation.[3] It is also true that among the subscribers were a number of Hamilton's personal friends[4] — General Knox, Robert Troup, Jonathan Dayton, Brockholst Livingston, Elisha Boudinot, Matthew Clarkson, John Pintard, Herman LeRoy, Benjamin Walker, Richard Harrison. But the list falls far short of including all of Hamilton's well-to-do friends, while it includes many who had no personal acquaintance with him whatever. And despite the fact that he spent several days in New York, where most of the capital was subscribed, in July, when the first subscriptions were being received,[5] it is not clear that he did any of the soliciting for funds.

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[1] *History of the Republic*, iv, 300.

[2] Boudinot, *Elias Boudinot*, i, 164; Duer, *New York as it Was*, 29.

[3] Domett, *Bank of New York*, 117.

[4] See esp. A. McL. Hamilton, *Intimate Life of Alexander Hamilton*, chap. iv, and *infra*, 391–392.

[5] See the mention of his movements in *N. Y. Journal* July 29, 1791; N. Y. *Daily Advertiser*, July 19, 30; Hamilton to Rufus King, July 8, 1791, in Hamilton, *Works*, v, 473; Schuyler to Schuyler, July 19, 1791, in *Schuyler Papers*.

What he most probably did was to interest in the scheme a few "key men," to whom he could safely entrust such parts of the work as the limitations of his own time and the dignity of his office made undesirable for him to carry on in person, and upon whom would then devolve the responsibilities of directing the incorporated company. Such a group was named in the subscription contract appended to the prospectus as "attorneys" for the subscribers in obtaining the charter and attending to other preliminaries: Elias Boudinot, Nicholas Low, William Constable, William Duer, Philip Livingston, Blair McClenachan, Matthew McConnell, and Herman LeRoy.

Foremost among these men, with little question, was Colonel Duer of New York.[1] One of the most powerful business men of the day, he was now practically at the height of his influence. After a fairly prominent career in the Revolution, successively as member with John Jay on the New York Committee of Safety, representative of his state in Congress, and contractor for army supplies, he became in 1786 Secretary of the new Board of the Treasury, the finance arm of the Confederation government. While in this office he entered into several business ventures, some of which were not wholly unrelated to his office. In 1787 he lobbied through Congress Manasseh Cutler's appeal for a land grant for the Ohio Company, securing at the same time a heavy share in the grant for himself and associates; and in the mysterious Scioto Company which was thus formed he was throughout the leading figure if not always the ostensible one. In 1788 he was the chief shareholder, and probably the prime organizer as well, of a small group of French and American capitalists whose objects were (1) to secure a transfer to themselves of the debt owed by the United States to France, (2) to purchase and sell for profit, on a large scale, the securities representing the domestic debt of the United States, and (3) to act as agents of Congress in floating new loans.

When Hamilton took office under the new federal government in September, 1789, he made Duer his assistant, — an appointment highly acceptable to the monied contingent in New York. Duer resigned after about six months, the better to attend to his private business affairs. He was a large investor in public securities, and one is inclined to believe that his operations were chiefly responsible for the charges urged against the Treasury for speculation by insiders. After leaving the department Duer secured contracts, one indirectly from the Treasury Department, the other directly from the War Department, for supplying the expedition against the Indians, sent out partly to protect the settlers of the Ohio and Scioto companies. At the same time he was secretly engaged with General Knox, Secretary of War, in the purchase through agents of a mammoth tract of land in Maine. In the summer of 1791 he was also prominent in the organization of the new Bank of the United States. These were among his multifarious interests.

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[1] See Essay II.

Duer was rich, successful, popular in his large circle of acquaintances. To his abilities and engaging personality Manasseh Cutler bore eloquent testimony in his diary, and Brissot de Warville, the French littérateur who visited America in 1788 partly to form the Gallo-American company above mentioned, was equally eloquent in his published letters. Closely connected with many of the monied men of his day, he was a natural choice for a leader in the new undertaking; and it is probable that he, and not Hamilton, was the chief solicitor for subscriptions.[1]

Something toward securing subscriptions was probably done by the other "attorneys" named in the subscription contract. Elias Boudinot of Elizabeth Town, the only New Jersey member, was a former president of the Continental Congress (1783) and one of the most prominent Jerseymen in the new federal House of Representatives, a strong supporter of Hamiltonian measures.[2] Nicholas Low and William Constable were directors of the Bank of New York,[3] and Low, Herman LeRoy, and Philip Livingston were soon to be elected to the first board of directors of the Bank of the United States.[4] Constable and LeRoy, moreover, were members of important commercial houses in which their names stood first, and Constable had other interests not unlike Duer's and almost as broad in scope.[1] Of the two Philadelphia representatives, McConnell was a prominent dealer in securities [2] and McClenachan a wealthy merchant importer who had made money as owner of privateers, had been prominent in Robert Morris's short-lived Bank of Pennsylvania (1781), and was soon to be elected to the Pennsylvania legislature.[3]

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[1] Among other evidence, note esp. the statement in an attack on the S. U. M. referring to Duer as "the ostensible person" in the enterprise: see *infra*, 413.

[2] See esp. Boudinot, *Life of Boudinot.*

[3] Domett, *Bank of New York*, 117.

[4] *National Gazette*, Oct. 31, 1791, Jan. 9, 1792; *Gazette of the U. S.*, Jan. 18, 1792; *N. Y. Journal*, March 10, 1792.

By some such group of persons the initial $100,000 in subscriptions was secured in July and early August. In the spring of 1791 the demand for stocks, which had been so great while the funding and assumption bills were before Congress, had slackened considerably. During May prices were practically stationary, the Philadelphia quotations for the three types of public securities — six per cents, three per cents, and deferred — standing respectively (on 20 shillings par) at 17s. ½d., 9s. ½d., and 9s. 1d. Near the close of May a "bull" movement developed, and on June 29 the corresponding quotations stood at 18s., 10s., and 10s., a gain of four to eight per cent. On July 4 the twenty thousand shares in the new national bank were oversubscribed in an hour or two. Then followed a veritable scramble for "bank scrip," as the temporary certificates issued to subscribers were called. Up, up went its price, until in the week of August 7 sales were made above $300, eleven hundred per cent advance on the original payment of $25. Public securities rose sympathetically at the same time, and Philadelphia quotations during this week were as high as 22s. 6d., 13s. 3d., and 13s., 6d., while New York prices seem to have been higher still.[4]

How intimately the S. U. M. promotion was connected with this movement one can only surmise. Rumor had it that Duer and Constable were leaders in the general speculation, "mounting the balloon as fast as possible," and Hamilton credited the rumor.[1] Jefferson wrote Monroe on July 10, apropos of the prevalent "appetite for gambling:" [2]

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[1] Duer, *New York as it Was . . .*, 40; Domett, *Bank of New York*, 61–62; *Craigie Papers*, esp. i, 47, ii, 232, 234.

[2] Advertisement in *Gazette of the U. S.*, April 21, 1791.

[3] See esp. *Pa. Mag. of Hist. and Biog.*, xix, 188, 399, 401, xxi, 121, xxvi, 145–147; Simpson, *Eminent Philadelphians*, 736–737; *Mass. Centinel*, July 27, 1788; *Federal Gazette*, Oct. 17, 1791; *N. Y. Journal*, Oct. 15, 1792.

[4] See Essay II, chap 4.

> ". . . The land office, the federal town [embryonic Washington], certain schemes of manufacture, are all likely to be converted into aliment for that rage."

A sarcastic correspondent writes in the *New-York Journal* of August 31:

> "We are informed that the spirit of patriotism, which so alertly actuates the present moment, the disinterested minds of Stock Gamblers is about to establish a Cotton Manufactory — They mean to commence with an imitation of an eastern article — Their first essay will be in what the East-India merchants call Hum-Hums."

Most of the subscriptions were secured in New York, which was the most active speculative centre, and it is certain that many of the subscribers were prominent dealers in other stocks.[3] It is altogether probable that the first considerable batch of subscriptions, upon the securing of which further steps were conditioned, was obtained largely from a group of speculators on the rising tide of the speculative movement.

Be this as it may, this essential had been accomplished before the "boom" had reached its height; and on August 9 a small group of the subscribers met at New Brunswick to authorize Hamilton to procure artisans for directing the cotton manufacture, to modify the draft of the charter, and presumably to arrange for the publication of the plan and the securing of the charter.[4] After the publication of the prospectus, despite the brief reaction in the stock market,[5] books were opened to the public in Philadelphia, Elizabeth Town, and probably New York,[6] with such success that on September 28 the *Federal Gazette* reported the New York subscriptions to "amount to near a quarter of million of dollars," and on October 6 the *General Advertiser* announced:

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[1] See his letter to Duer, August 17: Hamilton, *Works*, v, 478.

[2] Jefferson, *Works* (Washington ed.), iii, 268.

[3] See *infra*, 393–394.

[4] The power of attorney signed by Low, Duer, Constable, LeRoy, McConnell, and Richard C. Platt is in the *Hamilton Papers;* and see letter of Hamilton to Duer, August 17, in *Works*, v, 478.

[5] The lowest quotations recorded by the *Gazette of the U. S.* for the rest of the year are 20s. (August 17), 11s. 3d. (October 8), and 12s. (September 21). See also Essay II, 203–210.

[6] *Federal Gazette*, September 28; *N. J. Journal*, October 5. Elias Boudinot was one who received subscriptions in Elizabeth Town.

> "The plan for establishing manufactures upon an extensive scale, which has been lately submitted to the public consideration, meets with such general approbation, that the subscriptions already amount to much more than half the sum proposed to be raised."

The requisite capital thus being assured, the next step was to obtain the act of incorporation, for upon this the payment of subscriptions was conditioned. The company was still "footloose," for while some investigation into possible sites had been made,[1] no location had yet been chosen. Concerning the state to be selected, the prospectus had set forth:

> ". . . There is scarcely a state which could be insensible of being the scene of such an undertaking. But there are reasons which strongly recommend the State of New Jersey for the purpose. It is thickly populated — provisions are there abundant and cheap.[2] The State having scarcely any external commerce,[3] and no waste lands to be peopled[2] can feel the impulse of no *supposed* interest hostile to the advancement of manufactures. Its situation seems to insure a constant friendly disposition."

These considerations undoubtedly loomed large, but certain others also favored New Jersey. As an apologist of the Society wrote in 1792:[4] "It appeared prudent to take a position in that state for the purpose of interesting New York and Philadelphia," the two great financial centres.[5] At the same time it was felt that the Society might be the means of harmonizing the rival interests of these two cities, while appealing to the pride of Jerseymen, who were uncomfortably conscious of the insignificance of their state between New York and Pennsylvania. Thus ran a much quoted item — possibly specially prepared — which appeared in September:[1]

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[1] See *infra*, 401–402.

[2] Tench Coxe had remarked on this in his reply to Lord Sheffield: *View of the U. S. A.*, 198–199. Cf. also *ibid.*, 13, 21, 99; and Hamilton's Report on Manufactures: *Works*, iii, 219–220.

[3] Cf. *General Advertiser*, April 10, 1792, showing New Jersey's imports but $6598, as against $707,955 for Pennsylvania and $619,534 for New York, and least of all the states; and John Rutherfurd, in *N. J. Hist. Soc. Proc.*, 2d Series, i, 78–89, 177–182 (1868–69). Cf. Governor Franklin's report to the Lords of Trade (1774): "New York & Philadelphia are in Reality the Commercial Capitals of East & West Jersey": *N. J. Arch.*, x, 442.

[4] "A Freeman," in *American Museum*, xii, 218 (October, 1792); see *infra*, 444.

[5] Mr. Nelson charges Hamilton with a certain duplicity in this connection (*Founding of Paterson*, 183): "He shrewdly gave out that the Society's works were to be located in either of the three States named, whereby to interest capitalists of New York and Philadelphia in the project. But all the while, as is shown by his published correspondence, he had the Passaic Falls in view as the future manufacturing center of America." This assertion is evidently based upon a letter of Hamilton's which is cited below (421–422), which is undated in the manuscript (*Hamil-*

> "The design of fixing the Manufactories, about to be established, in the state of New-Jersey, must meet the approbation of all who are friends of the union, peace and good understanding of the cities of Philadelphia and New-York. The inhabitants of these places will be interested in this patriotic undertaking — their mutual convenience and accommodation ought therefore to be considered — The state of New-Jersey will derive essential local advantages from the circumstance — she will shortly see a large manufacturing town rising up in the midst of the state, which while it serves to cement these two great cities, will ideally diminish their distance from each other."

Important advantages of choosing a locality distant from great cities are cogently set forth in a letter dated Aug. 2, 1785, printed in the *Massachusetts Centinel* of August 20:

> "first, that the comparative cheapness of the necessaries of life, in the country, will enable the manufacturer residing there, to furnish his commodities on terms much more reasonable than can be done by residents in cities. The second is that the temptations to dissipation, idleness and vice, are much less frequent in small societies than in overgrown cities."[2]

Furthermore, there were no rival manufacturing institutions in New Jersey. The state boasted practically no manufactures beyond the household type except local saw mills, grist mills, and the like.[3] On the other hand manufacturing associations for the

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ton Papers, xiii, 183–184), and for which J. C. Hamilton erroneously supplied the date "1791." New Jersey was openly the first choice of the promoters from almost the beginning, but, as will be pointed out, no decision had yet been reached as to precise location.

[1] *Pa. Mercury*, September 17; *Daily Advertiser* (N. Y.), September 19; *Burlington* (New Jersey) *Advertiser*, September 28. See also letter from New Jersey in *National Gazette*, Dec. 8, 1791, and the comment in the *General Advertiser*, August 27, and the *Pa. Gazette* and *Gazette of the U. S.*, Aug. 29, 1791.

[2] The writer continues prophetically: "It would, therefore, be a most laudable undertaking, for companies possessed of considerable fortunes, to set up extensive manufactories in the back part of the country, of the most essential articles of consumption. . . ."

[3] Hamilton's agent in the state received but a single reply to his circular inquiry of June 19, 1791: *Hamilton Papers*, xi, 97, 123.

same general purpose as that of the S. U. M. had already been formed in the neighboring states and had received legislative support.[1] Moreover, recent action by the New Jersey legislature gave definite reason to believe that the proposition would be favorably received: at the session of 1789–90 a committee had been appointed to "report their opinion on the best and most probable mode of encouraging Manufactures in this state," and only by a single vote in the council had their bill to incorporate a society like that in Philadelphia failed to pass.[2]

In a word, the probabilities were that economic facilities would be rather better in New Jersey than elsewhere, that capital would be more easily raised for a New Jersey undertaking of this sort, that local feeling and official action would be more favorable there, and that the choice of this location might incidentally lead to more friendly relations between the two great middle states and their chief cities. So to New Jersey the appeal for the charter was made.

The prospect of this appeal was known when the members of the legislature were chosen,[3] and among those elected were several who were at the time or soon became subscribers, notably Thomas Lowrey of Hunterdon County, and General Elias Dayton[4] and Matthias Williamson of Elizabeth Town.[5] Indeed it was later charged, no doubt with truth, that "the talking and leading members were . . . generally subscribers to the manufacturing scheme."[6]

When the legislature convened in November the project was well engineered before it. Duer, experienced in such matters, was in town constantly, attended by one of the English artisans who was already hired for the Society.[1] Elias Boudinot, highly respected, headed the list of petitioners for the charter.[2] Thomas Lowrey, already in negotiation with Hamilton respecting the advantages of a site in his vicinity,[3] was chairman of the committee appointed in the lower house to consider the petition, and Dayton and Williamson were other members.[2] It is not improbable that Hamilton himself came over, as a newspaper reported he was expected to come, "to elucidate anything that may appear abstruse, and obviate any seeming difficulties, in establishing the National Manufactory."[4]

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[1] The *Pennsylvania Society for the Encouragement of Manufactures and the Useful Arts* and the *New York Manufacturing Society:* see Essay IV, chap. 5.

[2] *Assembly Minutes*, Nov. 10, 1788, p. 18; Oct. 29, Nov. 12, 13, 1789, pp. 8, 14, 67–70; June 4, Oct. 28, Nov. 6, 24, 1790, pp. 45, 11, 23, 94; and *Council Journal*, Nov. 25, 1790, pp. 33–34.

[3] *N. Y. Journal*, Sept. 24, 1791: "ELIZABETH-TOWN, September 21. As our annual election is near at hand, it is hoped, says a correspondent, that the different counties will make judicious choice in their members, as business of a momentous nature, relative to the national manufactory, will be laid before them."

[4] He had received subscriptions in his home town: *N. J. Journal*, October 5.

[5] *Assembly Minutes*, Nov. 1, 1791, p. 20.

[6] *National Gazette*, Nov. 7, 1792.

The committees of council and assembly, after conferring with the agents of the Society, reported favorably on November 7. Leave accordingly being given, Lowrey promptly brought in the bill prepared by the petitioners, — probably drafted by Hamilton,[5] who was, except the less keenly interested Boudinot, the only lawyer in the inner circle. During the next two weeks it occupied the attention of the lower house at eleven sittings and of the council at five. A few amendments of minor consequence were made,[6] but in the main the bill proved acceptable to the legislature. The final vote stood 30 to 4 in the assembly and 9 to 4 in the council;[7] and on November 22 Governor Paterson, in whose honor it was diplomatically provided that the new town should be named, affixed his signature and the bill became law.[8]

The act of incorporation repays careful examination.[9] In striking contrast to the charters of American manufacturing companies which preceded and followed it,[1] the act is elaborate and detailed; yet it is stripped of much of the mere verbiage which infested contemporary corporate charters. As a whole it represents a painstaking and intelligent attempt to provide adequately for the success of an institution which was in its very nature a gigantic experiment. And its passage by the legislature without significant modification indicates that that body approved the attempt.

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[1] Letters of Hall and Duer to Hamilton: *Hamilton Papers*, xiv, 128, 130.

[2] *Assembly Minutes*, Nov. 1, 1791, p. 20.

[3] See *infra*, 402.

[4] *Pa. Journal*, Nov. 16, 1791.

[5] The charter resembles at several points those of the Bank of New York (Domett, *History*, 122–130) and the Bank of the United States (*U. S. Stats. at Large*, i, 191–196), both of which were largely shaped by Hamilton. Tradition is in accord with the view stated: Nelson, *Founding of Paterson*, 183.

[6] Referred to *infra*, 383, 385, 387.

[7] Lowrey did not vote on the final question, but Dayton and Williamson were counted in favor of the bill, while the chief justice, David Kinsey, though favorably reporting the leave to bring in the bill, voted in council against its passage.

[8] For the legislative history see, for this session, *Assembly Minutes*, 20, 54–59, 62–64, 70; *Council Journal*, 6–7, 11, 17–18, 21.

[9] Quotations are from the contemporary *Session Laws*, 730–746. The charter is most accessible in Paterson's *Laws of N. J.* (1800), 104–120. It was also printed, in whole or in part, in *National Gazette*, Dec. 8, 12, 15, 1791; *N. J. Journal*, Dec. 14, 21, 1791; *Columbian Magazine*, December, 1791; and doubtless in other journals.

The formal vesting of corporate privileges is simply done. Present and future subscribers are

> "incorporated by the Name of '*The Society for establishing useful Manufactures*,' and by the same Name, they and their Successors and Assigns are hereby constituted a Body Politic and Corporate in Law."

Presumably because it could be taken for granted, no mention is made of the right of continual or "perpetual" succession. The other four general powers customarily specified in eighteenth century charters are expressly given without narrow limitations, namely: the capacity to acquire, hold, and dispose of real and personal property, to a maximum value of $4,000,000;[2] the right to sue and be sued in the corporate name, "in Courts of Justice, or any other Place whatever;" the authority to make, use, and alter at pleasure a "common seal;" and the power to establish and enforce such by-laws

> "as shall seem necessary and convenient for the Government of the said Corporation, provided the same are not contrary to the Laws and Constitution of the United States, or of this State."

It was printed in pamphlet form by Isaac Neale, Burlington, 1791: Nelson, *Check List of the . . . Press of N. J.*, 13.

[1] See Essay IV, chap. 5.

[2] Some light is thrown on this large maximum by a letter of Duer to James Greenleaf, Nov. 13, 1794, respecting a proposed charter for the "Columbian Society" (*supra*, 329), in which he argues that the corresponding limit "should at least be commensurate with an Augmentation of Four Capitals . . . ; otherwise before the Society are aware of it, the augmentation of their Property in value may operate as a Plea for Forfeiture of the charter: and though I presume, this Incorporation is at present a popular Measure, when it becomes Rich, the Case would be altered, and they must expect to Experience; under the Terms of Government, a Portion of that Jealousy, and Odium, which is ever the Fate of Wealthy Individuals:" *Etting Collection* (Hist. Soc. of Pa.), *M. O. C. Papers*, v, 71.

The purpose of the company is not defined with care. In the preamble the subscription is referred to as made "for the purpose of introducing and establishing useful Manufactures." By the first section the corporate powers are conferred upon those subscribing "for the Purpose of establishing a company for carrying on the Business of Manufactures in this State." Still in broad terms is the statement in section 2 which provides that the capital stock is

> "to be employed in Manufacturing or making all such Commodities or Articles as shall not be prohibited by Law, and to that End in purchasing such Lands, Tenements, and Hereditaments, and erecting thereupon such Buildings, and digging and establishing such Canals, and doing such other Matters and Things as shall be needful for carrying on a Manufactory or Manufactories of the said Commodity or Articles."

The only specific restriction on the scope of the Society's activities appears in section 3:

> "the said Corporation shall not deal, nor trade, except in such Articles as itself shall Manufacture, and the Materials thereof, and in such Articles as may be really and truly received in Payment or Exchange therefor."

Thus it would seem that the Society was prohibited from becoming a general trading or banking company and that it was expected to conduct manufacturing operations; but the nature of these operations was not definitely prescribed, and both specifically and by implication a wide range of incidental or supplementary activities was authorized. We shall see how, in the early days, this indefiniteness gave rise to severe criticism and how eventually it stood the Society in good stead.[1]

The authorized capital stock is $1,000,000, in $100 shares;[2] but after half of this amount shall have been subscribed, additional subscriptions are to be received only at the discretion of the directors.[3] Without restriction or limitation as to number of shares,[4] the right to subscribe is opened to "any Person, Copartnership or Body Politic," and subscriptions from state and national governments are particularly invited by the provision that any such "Body Politic" subscribing one hundred shares shall be entitled to appoint at any time a commissioner to investigate on its behalf the proceedings of the Society. (Sects. 6, 15.)

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[1] See *infra*, 388–389, 429, 445, and chap. 8.

[2] A verbal error, corrected in the act of a year later, makes one passage read one hundred thousand shares. It will be noted that the par is reduced below that originally contemplated (*supra*, 351), doubtless to attract subscriptions more widely.

[3] If over $500,000 shall be subscribed before the first election, the directors may make a proportional reduction of those subscriptions made after the passing of the act. This they did not choose to do: see *infra*, 405, 474.

[4] For such provisions in contemporary charters, see Essay IV, chap. 6.

Subscriptions made prior to the first election of directors are made payable in four semi-annual instalments (beginning within forty-five days of that date), half in United States six per cents, or twice as much in three per cents, and half in deferred stock;[1] although at subscribers' option specie might be paid instead, reckoning the six per cents at par and the deferred at a value calculated on a six per cent basis. As to subscriptions made after the first election, the directors seem to have been left full power to regulate the time and manner of their payment — a power which might conceivably have been used to favor the first subscribers. (Sect. 6.) No provision is inserted authorizing the enforcement, by penalties, of the payment of subscriptions, doubtless because this was deemed merely a matter for the by-laws; and when later this authority was questioned, it became necessary to secure a supplementary act to settle the issue.[2]

The general direction of the Society's affairs is confided to a board of thirteen directors, who are to be elected by, but not by specific provision from *among*, the stockholders,[3] at an annual meeting to be regularly held (after the first one) on the first Monday in October. (Sects. 10, 11.) To this board wide powers are given and upon it few restrictions are imposed. From its members the directors are to select a governor and a deputy-governor, and they "may appoint such other Officers, and assign such Compensations as they think fit," except that their own "emoluments," if any, must be allowed "by the Stockholders at a General Meeting." (Sect. 11.) Subject to possible revision by the stockholders, all regulations "requisite for conducting the Affairs of the Corporation" may be made by the board. (Sect.

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[1] Nelson is in error in saying (*Founding of Paterson*, 184) that payment is permitted to be made in stock of the national bank, though, as we shall see, the directors are empowered to invest surplus funds in that security.

[2] *Session Laws*, Nov. 27, 1792, pp. 804–805.

[3] Advantage was later taken of this omission: see esp. case of *John Kean* v. *R. L. Colt et al.*, 5 N. J. Eq. 268 (1846).

12.) For the exercise of these powers and for undertaking "any new Manufactory," a quorum is to consist of a majority of the members, including governor or deputy-governor; but for other business five members, again including one of these, are sufficient. (Sect. 12.) The board is specifically authorized to regulate the amount of new subscriptions and the time and manner of receiving payment for them (sect. 6); the transfer of shares (sect. 9); the calling of stockholders' meetings (sect. 13); the drawing of lotteries (sect. 25); the payment of dividends, which are to be annual for five years and semi-annual thereafter (!) (sect. 23); and the investment of surplus funds of the Society, particularly in securities of the United States and of the Bank of the United States. (Sects. 9, 2.) In general they are empowered "to transact such other Business as may be necessary touching" "the Affairs of the Corporation." (Sect. 12.) And in case of dissolution the surviving directors are to be *ipso facto* trustees for winding up its concerns, unless the stockholders appoint others in their stead. (Sect. 16.)

The board is directed to hold stated meetings on the first Tuesday of January, April, July, and October, and special meetings at other times on call of the governor, deputy-governor, or any three directors. (Sect. 12.) They are required to obtain from

> "every Treasurer or Cashier of the said Corporation . . . , before he enters on the Duties of his Office, . . . sufficient Security, to the Satisfaction of the Directors, in a Sum not less than Twenty Thousand Dollars." (Sect. 14.)

And at every annual meeting of the stockholders they are required to lay before the meeting

> " a General State of the Affairs of the Company, exhibiting the Amount of its Stock, Debts, and Credits, the different Kinds of Manufactures carried on, the Number of Persons employed in each, and their respective Compensations, and an Account of the Profit and Loss."[1] (Sect. 15.)

The rights of the stockholders, beyond the important one just mentioned, are set forth in a few scattered passages. They are entitled to cast one vote per share, presented "in Person, or by Attorney," without further limitation than that "neither the

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[1] Only the 1792 report has come down to us, and it is incomplete.

United States, nor any State which may become a Subscriber, shall be entitled to more than One Hundred votes."[1] (Sects. 13, 10.) Elections are to be conducted under the supervision of three stockholders appointed by the whole number. (Sect. 10.) The general body may finally alter or abolish by-laws made by the directors, or establish others to bind them (sect. 12); and they are to determine the compensation of members of the board (sect. 11). Moreover, individual stockholders may at any time obtain from the directors a license to inspect the amount of stock standing in the name of the company on the books of the Treasury or the Bank of the United States.[2] (Sect. 7.) As a body they may

> "at any General Meeting, elect by Ballot[3] any Five of their Number for the Purpose of examining into the State of the Affairs of the said Company; who shall have a Right of Access and Examination to, and of all the Books of the said Company; and the said Persons, or a Majority of them, may, at any Time, call a General Meeting of the Stockholders, giving the like Notice as is above directed to be given by a Board of Directors for a like Purpose." (Sect. 15.)

Finally, at a general meeting specially summoned for that purpose, the stockholders are authorized to vote for the voluntary dissolution of the Society, provided that three-fourths of the stock be represented;[4] and thereupon, if they so desire, to appoint from nine to thirteen trustees to wind up the affairs. (Sect. 16.)

The act is silent as to the liability of stockholders and directors, as indeed are most of the early manufacturing company charters; but inasmuch as incorporation was designed "as a mean necessary to their security," the limitation of liability to the amount of their subscriptions was implied.

So much for the general powers and the details of internal organization. The act further confers a number of important special privileges which were specially devised to stave off possible dangers and to make success doubly sure.

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[1] Cf. Essay IV, chap. 6, for contemporary limitations of voting power.

[2] Cf. *Columbian Centinel*, Aug. 20, 1791, for Hamilton's refusal of this privilege to the Boston tax assessors.

[3] The prospectus had provided that unsuccessful candidates for directors were to constitute this committee.

[4] The prospectus specifies a majority.

In the first place the charter itself is declared "a public Act, and as such to be taken Notice of by all Persons and Courts" of the state.[1] (Sect. 38.) It is in all things to be "construed in the most favorable Manner for the . . . respective Corporations," the municipal corporation described below as well as the manufacturing company. (Sect. 37.) No failure to hold meetings in exact accordance with its provisions, nor "any Nonuser of the Privileges hereby to the said Corporations respectively granted," is to be permitted to "create any Forfeiture of the same." (Sect. 37.)

In the second place

> "all Artificers or Manufacturers, in the immediate Service of the said Society, shall be free and exempt from all Poll and Capitation Taxes, and Taxes on their respective Faculties or Occupations, and from all Taxes in the Nature of general Assessments upon their Persons, Faculties or Occupations; . . . shall be exempt from all Military duty, except in cases of actual Invasion, or imminent Danger, . . ."[2] (Sects. 5, 36.)

It is further enacted,

> "the more effectually to encourage so useful and beneficial an Establishment . . ., That all the Lands, Tenements, Hereditaments, Goods and Chattels, to the said Society belonging, shall be . . . exempt from all Taxes, Charges, and Impositions whatsoever under the Authority of this State, whether for State or County uses, or for any other Use whatsoever, . . . the said Exemption . . ., . . . as touching the Lands, Tenements, and Hereditaments of the said Society, to . . . continue in Force for the term of Ten Years only. . . ." (Sect. 4.)

Such taxes as may be laid after the expiration of this time must, if laid "by Way of Assessment," be levied as a certain percentage of the true value of the property concerned,

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[1] This explains why this act alone, of all the eighteenth century business corporation charters of New Jersey, appears in the compilations of general statutes. Such a provision was not uncommon in New York charters.

[2] In this connection note the letter of Elisha Colt to John Chester, dated Hartford, Aug. 20, 1791, which was forwarded to Hamilton: ". . . As to Impediments and Encouragements [to manufactures] I know of None but what you are Perfectly Acquainted with The Impediments complained of by the Mechanics are The Assessments on the Trade of Facultised Persons, the Poll Tax on Apprentices, Equipments and Loss of Time for Military Service. . . .": *Hamilton Papers*, xi, 89. Cf. also Report on Manufactures, 257–258; letter of O. Burr & Co., Sept. 12, 1791, in *Hamilton Papers; Conn. Courant*, April 16, 1792; *Gazette of the U. S.*, Sept. 14, 24, 1791.

> "and shall not extend directly or indirectly to the Monies, Goods or Chattels, whether in Possession or Action, or to the Profits real or supposed of the said Society." (Sect. 4.)

Furthermore,

> "Whereas the first attempts toward the Establishment of Manufactories by the said Society may be attended with Loss, so as to impair and diminish the Capital thereof,"

the legislature accedes to the request that authority be given "to raise by Lottery certain Sums for their Indemnification against such Losses," and, "for the further Encouragement of the said Establishment," it empowers them to raise, by one or more lotteries drawn within the state, the sum of $100,000 "for the Benefit of the said Society."[1] (Sect. 25.)

> "And whereas it may be necessary, for the beneficial Extension of the aforesaid Plan, to cut canals, and clear and improve the channels of Rivers, the advantages of which will not be confined to the Members of the Society,"

eight substantial sections are incorporated in the act to empower the Society to "open and clear" "Rivers and other Waters," and to effect "navigable Canals, for the Purpose of transporting Goods, Wares, and Merchandizes, to and from some Manufactory by them established."[2] (Sects. 17–24.) To this end ample powers of eminent domain are granted. No rates of toll are prescribed, but the company is empowered to take sufficient to secure a return, above expenses of maintenance and collection, of not more than fifteen per cent on the sums expended. The usual articles are added to enable collectors to enforce payment of tolls (sects. 21, 23) and imposing penalties (fourfold damages and costs) for wilful injuries to the works (sect. 22). Of such a power the prospectus had made no mention, and it is probable that the decision to include it was arrived at after the possibilities of the Passaic Falls were discovered in September.[1]

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[1] The prospectus had suggested $100,000 a year for five years, and in the *Pennsylvania Journal* of November 16 it is stated that a three-year privilege is being sought. This doubtless was one of the amendments. Even so the grant was not ungenerous.

[2] Cf. the emphasis in Hamilton's Report (pp. 255–256) on the importance to industry of roads and canals. These sections are based on the late Pennsylvania charter to the company for the Schuylkill and Susquehanna Navigation: act of Sept. 29, 1791, *Session Laws*, 133–143, esp. sects. 6, 7, 9–13, 16. Contrary to a frequent assertion, there is no evidence that these provisions in the S. U. M. charter served as a model for later New Jersey acts.

Finally, there is embodied in the act what is substantially a municipal charter for a new borough — "the Corporation of the Town of Paterson." (Sects. 26–35.) After having chosen "the principal Seat of their said Manufactories" and certified their choice to the governor of the state, the directors were authorized to give public notice

> "that it appears to them conducive to the Interest of the said Society, if agreeable to the Inhabitants of the said District limited to thirty-six square miles in area, that the said Inhabitants should be and become a Body Politic and Corporate, and if within Sixty Days after such public Notification, a Majority of the Taxable Inhabitants of the said District shall not express their Dissent from the Incorporation . . . to the Governor . . . , it shall be deemed . . . to be Evidence of the Assent of the said Inhabitants to be, and they shall thereupon . . . become a Body Corporate and Politic. . . ."

without any further interposition by the legislature. (Sect. 24.) Thereafter the town was to be governed under its charter much like the other corporate towns of New Jersey.[2]

Upon the exercise of these generous privileges the state imposed hardly any restriction. In case the net profits from the canals should in any three-year period exceed the limitation or fifteen per cent on the cost, the excess was to be paid to the order of the legislature "to be applied in their Discretion to the Encouragement of Literature, Arts, and Sciences within this State." For determining this the directors were required to lay before the assembly triennial reports or abstracts of their accounts showing the expenditures for *these* objects and the income arising *therefrom.* (Sect. 24.) With this minor exception no reports to the state, no "external" publicity, and no accounting for or limitation of profits was stipulated. Even the right of a state or the nation, on subscribing one hundred shares, to appoint an investigating commissioner was in the nature of a stockholder's right merely, and did not look toward the exercise of control or supervision, as indeed New Jersey later discovered.[1] (Sect. 15.) As a manufacturing corporation the S. U. M. was subject to practically no control beyond that of its stockholders.

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[1] See *infra*, 401–402. Duer was financially interested in a canal at Bellows Falls, Vt.: see Essay II, 277, and Essay IV, chap. 3.

[2] These sections follow quite closely the charter granted Nov. 28, 1789 (*Session Laws*, 548–556), to the borough of Elizabeth, the home of Boudinot and Dayton, and are not, as Nelson suggests (*Founding of Paterson*, 185), based on the charter of New York. The sections themselves are not extraordinary, though their inclusion in an act incorporating a manufacturing company was most unusual.

Not only this, but three days later, "For the further Encouragement of the said Society," a second act was passed directing the governor to subscribe one hundred shares ($10,000) to the "Manufactory," and the treasurer of the state was directed to pay over "such Sums of Money as may enable him to comply with the Terms of the said Subscription." [2]

Thus New Jersey inaugurated her liberal corporation policy. On the whole the promoters had reason to congratulate themselves most heartily upon their accurate estimate of the "friendly disposition" of the state; and they went home well satisfied.[3]

Adverse comment was not altogether lacking. Such feelings as Fisher Ames reported to Hamilton from Boston when first the proposition was noised abroad there doubtless existed in New Jersey:[4] ". . . Some object that agriculture better merits encouragement, and that domestic manufactories will be injured by the Company." The most vigorous criticism was expressed in a letter signed "Clitus," which purported to have been written on November 10 to a representative of Middlesex County by one of his constituents, and both circulated as a handbill and was published in the gazettes.[5] This writer does not openly oppose granting corporate powers, though he cites as significant the fact that in France, the home of "the most enlightened philosophers, statesmen and patriots, perhaps that ever graced the universe," the new constitution "utterly and forever abolishes all incorporate bodies whatsoever, as being injurious to the public weal."[1] The lottery and tax exemption features are briefly attacked, and a fling is taken at the subscribers, — wealthy men who bought up from poor mechanics at low prices the certificates of public indebtedness which they now employ at par. The canal privileges, most particularly the right of eminent domain, seem to him extraordinary.

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[1] See *infra*, 508–514.

[2] *Session Laws*, Nov. 25, 1791, pp. 760–761. No provision was made for state representation at meetings of stockholders or on the board of directors.

[3] Cf. a letter of a Trenton subscriber, Moore Furman, dated Nov. 26, 1791: "The bill has also passed in favour of the Manufactoring Society giving them all they expected though not quite all they asked": *Furman Letters*, 90.

[4] Letter of July 31, 1791: Hamilton, *Works*, v, 475. The letter is of interest as showing how far the news of the scheme had travelled before public announcement had been made.

[5] *General Advertiser*, Nov. 24, 1791; mentioned by "New-Jersey" in *Gazette of the U. S.*, Aug. 29, 1792: see *infra*, 437.

> ". . . these gentlemen apply for unbounded right to cut canals where they please. Suppose they were empowered to cut a canal from Sandpink to the head of South river or to the Millstone, and open an inland navigation from Philadelphia to New-York, which is thought practicable; would not this destroy hundreds of acres of good meadow on the Sandpink? by cutting a canal of twenty feet wide for miles together, would it not ruin many of our worthy fellow citizens without proper compensation? Its course might necessarily go from there through several good farms, orchards, gardens, etc. and all this to be under the sanction of a law, made for the purpose of individuals, who want to aggrandize their property by a perpetual toll. . . ."

Most of all he objects to the authorization to raise so large a capital with so few restrictions upon its application. Rumor has it that the stock may eventually reach $1,500,000, a sum "greater than the united capital of all the mechanics in America." Despite the precedent in England and America to restrict "the incorporate bodies to certain specified articles," this capital, by the request of the subscribers, "may be used in any lucrative branch of manufacture." In consequence it is confidently asserted that

> "they will bear down by their large capital, all the mechanical branches of the same species in the United States; this in time will have a very fatal effect on the revenues of the public; as the mechanics are at present a very large and valuable part of the community, and raise large sums in the impost and government taxes, which, when they are crushed, must fall on the landed interest."

The objections here raised, well and ill founded as they were, foreshadowed criticisms to come, but appear to have had little influence upon the act of incorporation, and they are far from characteristic of the public attitude of the fall of 1791. "Clitus" himself, indeed, was not opposed to the enterprise root and branch. He expressly recognizes the advantages of "cutting canals" and "cheapening transportation," and concludes his letter with this mild statement:

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[1] The difference in type between the typical "corporations" of the two countries was not clearly perceived, as evidenced in a good deal of contemporary discussion.

> "I wish not, sir, to be understood that I am against reasonable encouragement being given to the company: I think under proper restraint they may be very useful to the community in general and ought to be encouraged, as far as reason and good policy may demand."

In the main the current of public opinion was distinctly favorable. The newspapers gave most cordial support. The prospectus was quoted at length in several, and in slightly briefer form in others. The establishment was referred to with enthusiasm as "the grand manufactory" or "the National manufactory," and the proposed town as "the capital scene of manufactures," suggesting comparison with the new political capital even then being laid out on the Potomac. New Jersey was congratulated on her opportunity, and there was little disposition to inspect narrowly the privileges sought. Indeed, so far as I have been able to ascertain, the letter of "Clitus" contains the only words of criticism which appeared in print prior to the incorporation.[1]

An immediate result of this favorable public attitude, crystallized as it was in the grant of the charter and the state subscription, was a rush to subscribe before the books should close. Accordingly, when the election of directors automatically put an end to further subscription, not merely $500,000, but upwards of $625,000, was subscribed.[2]

Thus the Society was most auspiciously launched.

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[1] For examples of these expressions of public opinion, see *Gazette of the U. S.*, September 14, October 5, November 12; *General Advertiser*, September 28, November 1; *Federal Gazette*, September 28; *National Gazette*, October 31; *Independent Gazetteer*, October 1; *N. J. Journal*, September 28, October 5; *N. Y. Journal*, October 1, 5; *Argus* (Boston), November 15. Cf. also Washington to M. de la Luzerne, Nov. 20, 1791, commenting on "the happy effects of the general government upon our agriculture, commerce, and industry," and "vast progress in the most useful manufactures" in "the eastern and middle states": *Works*, x, 204–205.

[2] See *infra*, 405.

CHAPTER III

ORGANIZATION AND PRELIMINARY ACTIVITIES

ORGANIZATION was promptly effected. On November 25, the evening of the day on which the state subscription was assured, a preliminary meeting of subscribers was held at the City Tavern, Philadelphia,[1] perchance partly for jubilation and partly to prepare a slate for the coming election. On the following Sunday evening the subscribers began "to muster strong" in Trenton; and with them had come to town the Secretary of the Treasury, to put his son Philip under the tutelage of Rev. William Frazer.[2] On Monday, under the superintendence of the attorney-general of the state and a justice of its supreme court, thirteen directors were duly elected,[3] and on December 9 the board met at New Brunswick, elected governor and deputy-governor, and formally got down to business.[3]

It is well to pause here to observe more intimately the Society and its chosen leaders, for the complexion of both was of no mean consequence in the critical year immediately ahead. Unfortunately a complete list of the stockholders cannot be given,[4] but the partial list will serve to give an idea of the membership about this time and of the directorates prior to 1800.[5] Ordinary type indicates those who were clearly stockholders at this time or shortly after; small capitals indicate such as were also clearly members and directors or officials as well; italics indicate those who were probably stockholders and certainly directors or otherwise closely connected with the Society. Those whose names are marked * were subscribers also to the abortive Connecticut manufacturing scheme floated in New York in December.[1]

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[1] *Federal Gazette*, Nov. 25, 26, 1791.

[2] *Furman Letters*, 89–91.

[3] The minutes of the stockholders' meetings are missing, but the directors' minutes have been preserved by the Society and will be referred to frequently simply as *Minutes*. Here see *Minutes*, 1.

[4] Such a list was presented to the board in January, 1792 (*Minutes*, 10), but it has since disappeared.

[5] This is based chiefly on William Neslon's manuscript subscription paper quoted in his *Founding of Paterson*, 182. He states here further: "Quite a number of shares found subscribers even in Amsterdam, partly through the commercial transactions of the house of LeRoy, Bayard & McEver of New York, and partly through the financial dealings of the Treasury at that time with Amsterdam bankers." Of this I have discovered almost no evidence. Additions to his list are drawn

SHARES	NAME	ADDRESS	DIRECTOR
	Baldwin, Jesse	Newark	1795–
	Baldwin, Samuel	Newark	1796–
	Bayard, John	New Brunswick	1791–93
	Bloomfield, Joseph	Burlington	
100	Boudinot, Elias	Elizabeth Town	
50	BOUDINOT, ELISHA	Newark	1791–
100	Boudinot & Pintard	Elizabeth Town	
16	Bryan, John	New Jersey (probably)	
20	BURNET, DR. WILLIAM, JR.	Belleville	1792–93
	Chapman, William (see Ten Brook)	New York City	
	Clarkson, Matthew	New York City	1792–93
	Constable, William	New York City	
20	*Craigie, Andrew	New York City	
	Cruger, Nicholas	New York City	
50	CUMMING, JOHN N.	Newark	1793–
10	Dayton, Elias and	Elizabeth Town	
	Dayton, Jonathan with	Elizabeth Town	
	WILLIAMSON, MATTHIAS	Elizabeth Town	1792–
	Denning, William		1793–94 1795–96
	**Dewhurst, John*	New York City	1791–92
25	*DUER, WILLIAM	New York City	1791–92
50	DUNHAM, DR. LEWIS	New Brunswick	1793–94
	**Flint, Royal*	New York City	1791–92
	FURMAN, MOORE	Trenton	1791–92
60	Hall, William	Paterson (soon)	
	Hamilton, Alexander[2]	Philadelphia and New York	1795–96
40	HAMMOND, ABIJAH	New York City	1792–96
	Hardy, Joseph	New York City	1793–95
	**Harrison, Richard*	New York City	1793–

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from incidental mention in the *Directors' Minutes*, contemporary letters, and other sources which it seems hardly worth while to mention specifically.

[1] See Essay II, 273–275, and Essay IV, chap. 5.

[2] Hamilton was not at this time a stockholder and may never have owned any stock in the Society; there is no record, moreover, of his attendance as a director. His election to the office came after his retirement from the Treasury.

SHARES	NAME	ADDRESS	DIRECTOR
	Hay, Samuel	Newark	1796–
	Henderson, William	New York City	1794–
	Hornblower, Josiah	New Jersey	
40	Knox, Henry	Philadelphia	
20	Lawrence, Effingham		
20	LEROY, HERMAN	New York City	1792–93
	**Lewis, George*	New York City	1791–92
58	Livingston, Brockholst	New York City	
120	Livingston, Henry	New York City(?)	
60	Livingston, Philip	New York City	
64	LOW, NICHOLAS	New York City	1791–
	Lowrey, Thomas	Flemington	1791–92
	McClenachan, Blair	Philadelphia	
	Macomb, Alexander	New York City	1791–92
150	McConnell, Matthew M.	Philadelphia	
145	MERCER, ARCHIBALD	Newark and Millstone	1791–93
80	Mort, Joseph	Paterson (soon)	
10	NEILSON, JOHN	New Brunswick	1791–92
	Ogden, Samuel	Newark	
60	PARKER, JAMES	Perth Amboy	1792–93
	Paterson, William	Trenton and Somerville	
100	*Pintard, John (see also Boudinot)	New York City	
	Platt, Richard C.	New York City	
	Ray, Cornelius	New York City	1792–93
	Ricketts, James	New Jersey (probably)	1792–
	Scriba, George	New York City	1793–94 1796–
	Smith, Isaac	Trenton	
	Smith, William Peartree	Elizabeth Town	
	Stevens, John	Hoboken	
82	Stockton, Richard	New Jersey	
	Stockton, Samuel W.	New Jersey	1793–95
	Sutton & Hardy	New York City	
4	Ten Brook (John) & Chapman (William)	New York City	
25	*TROUP, ROBERT	New York City	1796–
	Walker, Benjamin	New York City	1791–93
	**Watson, James*	New York City	1792–94
	WILLIAMSON, MATTHIAS H.	Elizabeth Town	1792–

The New Jersey stockholders were "representative" men of the state and probably included most of its foremost citizens. Neilson, Paterson, and Jonathan Dayton had been sent to the Constitutional Convention. Stevens had been president and Stockton secretary of the state ratifying convention. Paterson was governor, Bloomfield attorney-general, Isaac Smith justice of the supreme court, Samuel Stockton clerk of the court, and Elisha Boudinot "clerk of the circuits." Elias Dayton, Lowrey, and Williamson were in the assembly; Elias Boudinot and Jonathan Dayton were in Congress. Lowrey was United States marshal in New Jersey. Elias Dayton was head of the state Society of the Cincinnati, in which Bloomfield and Cumming were also prominent; and a little later Dayton became major-general of the state militia, with Bloomfield and Cumming two of his brigadier-generals and Williamson his aide. Bloomfield was recorder, the chief officer, of Burlington; Bayard was similarly president of New Brunswick, where Neilson was register and Dunham also a prominent city official; Furman became first mayor of Trenton under its charter of 1792. Bayard, Elisha Boudinot, Cumming, Mercer, Neilson, Ogden, Parker, Stevens, and Williamson were all prominent in the more important of the bridge, turnpike, transportation, and banking enterprises that were soon to arise in the state.

The large majority of the stock, however, was subscribed by the men of New York City,[1] several of them New Englanders who for business reasons had found their way since the war to the rising metropolis on the Hudson.[2] Constable, Low, LeRoy, Scriba, Watson, and the firms of Sutton & Hardy and Ten Brook & Chapman were merchant importers. Constable, Craigie, Hammond, Harrison, LeRoy, Philip Livingston, Low, McConnell (of Philadelphia), Macomb, and Ray were or soon became directors in the bank of New York, the Bank of the United States, or the latter's New York branch, of which Livingston was the first president and Ray the second.[3] Brockholst and Philip Livingston, W. P. Smith, and Troup were lawyers, and Harrison was federal district attorney for New York. Clarkson, Brockholst Livingston, Platt, Walker, and Watson were prominent in the New York Society of the Cincinnati.[4] Pintard was a stock broker, founder and first secretary of the New York mutual fire insurance company (1787) and a director of the Tammanial Tontine

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[1] *N. J. Journal*, Dec. 7, 1791.

[2] Such were Craigie, Flint, Hammond, Henderson, and Watson.

[3] Domett, *Bank of New York*, 117–120; *National Gazette*, Oct. 31, 1791, Jan. 9, 1792; *Gazette of the U. S.*, Jan. 18, 1792; *N. Y. Journal*, March 10, 1792; *N. Y. Magazine*, vi, 190 (March, 1795).

[4] *N. Y. Journal*, July 6, 1791.

Association formed to erect Tammany Hall.[1] Harrison, Philip Livingston, Ray, Scriba, and Watson were soon elected to the directorate of the northern New York canal company, in which Philip Schuyler, Hamilton's father-in-law, was a leading figure.[2]

A speculative spirit was strong in the whole group, particularly among the New Yorkers. Since 1787 Craigie, Jonathan Dayton, Duer, Flint, Macomb, Platt, and Walker had played prominent parts in various large speculative deals in lands on the Ohio; Craigie, Hamilton, Knox, Macomb, and Ogden had been similarly concerned in New York and perhaps Vermont; and Duer, Flint, Knox, and Ogden had recently closed with the Massachusetts government for large tracts in Maine and western Massachusetts; LeRoy was soon a leading figure in the Holland Land Purchase.[3] Moreover, among the most active speculators in bank scrip and public stocks on the New York market were to be counted at least Constable, Craigie, Dewhurst, Duer, Flint, the Livingstons, Macomb, Pintard, Platt, and possibly Walker.

In manufactures they had had little experience. Constable and Odgen had been among the petitioners for the New York act of 1786 granting privileges to the *Associated Manufactoring Iron Company*, which probably never went into operation.[4] Clarkson, Cruger, and Watson were on the first board of directors of the *New-York Manufacturing Society* (1790).[5] Macomb had recently become treasurer of the new *Society for the Promotion of Agriculture, Arts, and Manufactures*.[6] And Hall and Mort were primarily not capitalists but artisans, who had entered the employ of the Society.

It must be further observed that at least six of these men — Duer, Flint, Furman, Lowrey, Macomb and Neilson — had served on the business side of the Revolutionary War, in the commissary department or as contractors for supplies; while Craigie had been "apothecary-general."[1] We may also note that the Boudinots, Clarkson, Duer, Knox, Brockholst Livingston, and Robert Troup were among Hamilton's most intimate friends; while Philip Livingston, Duer's wife's cousin, had been Hamilton's lawyer.[2]

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[1] *N. Y. Journal*, Jan. 18, 1792; H. P. Johnston, in *Mag. of Amer. Hist.*, xxix, 313.

[2] *Daily Advertiser* (N. Y.), Jan. 6, 1794; *Independent Gazetteer*, Aug. 25, 1792.

[3] On these deals see esp. Burnet, *Early Settlement of the Northwest Territory*, Appendix; *Journal of Congress*, Sept. 30, 1788; Dawes, *The Scioto Purchase;* letters of Macomb and Hamilton referred to *infra*, 396, note 4; Hulbert, *Andrew Craigie and the Scioto Associates; N. Y. Journal*, June 16, 1792; *Knox Papers* (Mass. Hist. Soc.), xxviii, xxxii; O. Turner, *Pioneer History of the Holland Purchase* . . . (Buffalo, 1849), esp. 401 ff.

[4] *Session Laws*, 24; Essay IV, chap. 5.

[5] *Session Laws*, 24–25; Essay IV, chap. 5.

[6] See *Transactions of the Society* . . . , 2d ed., vol. i, p. iii.

From these and others like them the stockholders selected as directors seven New Yorkers — Duer, Low, Macomb, Walker, Dewhurst, Flint, and Lewis — and, with a politic generosity, six Jerseymen — Mercer, Bayard, Elisha Boudinot, Furman, Lowrey, and Neilson. The personnel of this board was of vital consequence, for upon these men devolved the responsibility of translating authority and possibilities into action and achievement. Lacking experience in such business as this, their task was no simple one. To secure the funds subscribed; to settle upon a site, a superintendent, and the lines of manufacture; to erect the buildings and prepare the machinery; to employ the workmen and get the whole establishment quickly into running order: this was far more difficult than the employment of an equal amount of capital in banking, or even in canal building, as Adam Smith had pointed out twenty-five years before.

Col. William Duer was the natural choice for governor. Popular, rich, able, enterprising man of many affairs, he was entitled to the position no less by his general personal and business preeminence than by his activities on behalf of the Society. Yet he was swinging a heavy load, with his army contracts, Scioto Company, Maine land deals, and New York stock speculations. Nor was his assumption of this additional responsibility accompanied by any diminution of his other interests. Further, despite his initiative and acute business sense, he had exasperating habits of dilatoriness and carelessness in details, which were certain to be brought into sharp relief in this business.

Of Duer's New York associates, Alexander Macomb was probably the wealthiest and most prominent.[1] During the war he engaged in the fur trade, with headquarters at Detroit, perhaps furnishing supplies to the troops for a time. After the war he came to New York, entered a mercantile partnership with William Edgar, Furman's brother-in-law, and ran a flour mill.[2] He bought the Courtland house at Kingsbridge and later built a mansion at 39 Broadway that housed the French envoy in 1788–89, and President Washington in 1790.[3] In 1787 he and Edgar purchased some eighty-nine thousand acres northwest of the Ohio,[4] and in 1789–90 he concluded negotiations for between three and four million acres, at 8d. per acre, south of the St. Lawrence — a purchase which created a scandal in the state of New York.[5] He was a member of the state convention ratifying the federal Constitution, and in 1791 helped audit the accounts of the state treasurer.[6] It is not clear that he had speculated much in securities, but late in this very month he entered into a partnership with Duer for that purpose.[7]

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[1] *Duer Papers* (N. Y. Hist. Soc.), *passim; Public Records of Conn.*, i, 318; *Furman Letters*, 1779–80; Race, *Sketch of Thomas Lowrey*, 5; *Furman Letters*, 72 n; Paige, *History of Cambridge*, 183 n; *Biographical Encyclopedia of N. J.*, 276.

[2] A. McL. Hamilton, *Intimate Life of Alexander Hamilton.*

Nicholas Low [8] was a less prominent but more solid business man. Like Macomb a member of the state convention ratifying the federal Constitution, he was an ardent Federalist.[9] A merchant, a bank director, a considerable holder of public securities, he was yet largely uninfected by the prevalent speculative germs.

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[1] No satisfactory sketch of Macomb's life is in print. See, however, *Mag. of Amer. Hist.*, iv, 72 (January, 1880), viii, 52 (January, 1882); *Furman Letters*, 72 n.

[2] Cf. Raum, *Hist. of N. J.*, ii. 347, mentioning a patent granted to a Mr. Macomb in 1791 "for an improvement in grist mills, by the use of horizontal wheels."

[3] *Pa. Mag. of Hist. and Biog.*, xx, 45, 48, 68 (1896).

[4] Letters in *Boudinot Papers* (Hist. Soc. of Pa.), iii, 346, and *Wolcott Papers* (Conn. Hist. Soc.), vii, 51.

[5] *Calendar of N. Y. Col. MSS. Indorsed Land Papers*, and Alexander, *Pol. Hist. of N. Y.*, i, 54–55; *N. Y. Doc. Hist.*, iii, 1069–1078. F. B. Hough, *A History of Jefferson County* (Albany, 1854), 44–55; *Mass. Mag.*, iii, 590 (September, 1791), reporting he had refused £50,000 for his bargain and counted his profits at £250,000.

[6] *N. Y. Journal*, Feb. 4, 1792.

[7] Essay II, chap. 7.

[8] Lamb's *Biog. Dict. of the U. S.*, article "Isaac Low"; Domett, *Bank of N. Y.*, 118–120; *National Gazette*, Oct. 21, 1791, Jan. 9, 1792; MS. letter of Low to Gilmor & Co., Dec. 20, 1792 (Amer. Antiq. Soc.). He was first president of the United Insurance Company of New York: *N. Y. Magazine*, vi, 672 (December, 1796).

[9] Beard, *Econ. Interp. of the Constitution*, 270; *N. Y. Journal*, June 20, 1792; *Columbian Gazeteer* (New York), Dec. 16, 1793.

Col. Benjamin Walker[1] had been a favorite aide of Baron Steuben's and served on Washington's staff for a time. After the war he became private secretary of the governor of New York. In 1788 Congress appointed him, on recommendation of the Board of Treasury (Duer, Secretary), commissioner for settling the accounts of the Hospital, Marine, and Clothiers' departments.[2] Perhaps even before this he became a stock broker in New York, closely associated with Duer, and by the Macomb-Duer contract of December, 1791, he appears as Duer's confidential agent in such transactions. Under the federal government he was made naval officer of the port of New York, but when Joel Barlow in Paris had allowed the Scioto Company's affairs to become seriously confused, Duer sent Walker abroad to straighten the tangle. A versatile, "amiable," energetic man, his chief weakness was his tendency to dabble in too many projects and to shift his attention too frequently.

Royal Flint[3] was a Yale graduate, class of 1773, who had served in the war first as paymaster, then as assistant commissary of supplies for the Connecticut troops, and then from 1778 to 1780 in a similar position in the continental army. From 1786 to 1789 he was United States commissioner for settling the continental accounts with the eastern states, probably another appointment secured through Colonel Duer. Flint was certainly an intimate of Duer's, his right-hand man indeed, both in the Scioto Company and in the Knox-Duer purchase of lands in Maine.[4]

John Dewhurst and George Lewis were New York speculators, probably brokers, of no special prominence, who were glad to bask in Duer's favor.[5]

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[1] Kapp, *Von Steuben*, esp. ii, 614; Dawes, *Scioto Purchase*, 477–478; Hunt, in *Amer. Hist. Rev.*, ii, 244–245 (1897); Bagg, *Pioneers of Utica*, 66–69.

[2] *Jour. of Cong.*, May 7, 1787, xii, 62; *Conn. Courant*, May 26, 1788; *Mag. of Amer. Hist.*, xvi, 199 (1886); letters of Andrew Craigie to Brissot de Warville, Sept. 12, Oct. 6, 1790, in *Scioto Papers.*

[3] Dexter, *Yale Biographies*, iii, 477–478; *Conn. Pub. Recs.*, ii, *passim; Jour. of Cong.*, Sept. 30, 1788, xiii, 151.

[4] Cf. Essay II, *passim.*

[5] See *Federal Gazette*, Oct. 18, 1791; letters of H. M. Colden to Jeremiah Wadsworth, Feb. 22, April 15, 1792, in *Wadsworth Papers* (Conn. Hist. Soc.); Hamilton's statement of purchases for the sinking fund, 1792, in *Amer. State Papers, Finance,*

The six Jerseymen were a more conservative group, but for the most part with their most energetic days behind them. Bayard,[1] Furman,[2] and Lowrey [3] had had considerable experience in trade, but they had now largely retired from active business. Archibald Mercer, the owner of large flour mills on the Millstone, doubtless earned the deputy-governorship by his generous subscription of one hundred and forty-five shares; for when duties devolved upon him he proved utterly incompetent to discharge them. As a group these men loomed large in local affairs and managed ably small-scale undertakings run by established methods, but they were entirely unequal to the handling of large affairs in new ways. Elisha Boudinot of Newark, a leading lawyer now in his early prime, was the only one who possessed a large stock of initiative, judgment, and persistence.[4]

Much therefore depended on a few leading members of the board, in particular Duer, Low, Macomb, and Boudinot; and to the governor the members especially looked up.

Before the board convened on December 9 progress had already been made toward getting the business under way, notably in the hiring of chief artisans and the investigation of possible sites. In accordance with the advice of certain cotton manufacturing workmen who had recently arrived from England,[5] it was early decided to make the main work of the Society for the present "a Manufactory of Cotton in its various Branches, and printing the same." Accordingly on August 9, when the capital seemed assured, a group of subscribers authorized Hamilton, for these purposes,[6]

> "to procure and Engage for the Service of the Society such Artists and Workmen, as you shall deem necessary and upon such Terms, as shall appear to you reasonable."

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i, 162–168 (Lewis a seller); Dewhurst was one of the agents of the Universal Tontine in Philadelphia, put before the public in March, 1792: Montgomery, *Insurance Co. of N. A.*, 10.

[1] See esp. J. G. Wilson, in *N. J. Hist. Soc. Proc.*, 3d Series, ii, 100–115 (1897); *Pa. Mag. of Hist. and Biog.*, xxvi, 145–147, xxvii, 96, 359, xxviii, 219, 332, 351, 370, 480, 503.

[2] See esp. *Furman Letters, passim.*

[3] Race, *Sketch of Thomas Lowrey.*

[4] See esp. Boudinot, *Elias Boudinot*, i, 24, 32–39.

[5] See letter of one of these, quoted *infra*, 482–483.

[6] Document in *Hamilton Papers*.

Hamilton had already been interviewing immigrants who appeared to be possessed of manufacturing skill. His action under this authority he reported to the board by the following letter, dated Philadelphia, Dec. 7, 1791.[1]

"GENTLEMEN,

"In consequence of powers vested in me by the Agents named in the instrument of Subscription towards the Society for establishing useful Manufactures, I have made Contracts on behalf of the Society with William Hall, as Superintendent of the printing Business; with Joseph Mort, as an Assistant in the Manufactory in such way as his Services may be thought most useful. This Gentleman I understand has had opportunities of being acquainted both with the making and printing of Cotton Goods; with Thomas Marshall to superintend the Cotton Mill. The contracts with these different Persons are transmitted herewith.[2]

"There is a William Pearce who has been employed by me in preparing Machines for the use of the Society; and with whom I have advanced pretty far in an Agreement, but without having reduced it to a definitive form. He pretends to a knowledge of the fabrication of most of the most valuable Machines now in use in the Cotton Manufactory; and his Execution hitherto, as far as he had gone, confirms his pretentions. Among other Machines he has prepared a double Loom, to be worked by one Person. Of this he gives himself as the Inventor, and has applyed for a Patent, which he will probably obtain. It is certain that the Machine, if in use at all in Europe is quite new; and as far as without seeing it worked, it can be judged of, promisses to answer the Expectation it gives. — with (Geo^{e}) Perkinson, as Foreman or Master of a room in the Cotton Mill. This appears to be an ingenious Mechanic, who has obtain'd a Patent for a Flax-Mill,[3] which he alleges his having improved. How far these improvements may be of real utility, or the Mill itself capable of answering its end, ought to be considered as uncertain: since it is a question whether the Spinning of Flax by Mills, which has been for some time a desideratum in Great Britain, is practicable. The object of engaging this Man was to secure to the Society an ingenious Mechanic, and securing to them whatever advantage there may be in the Patent.

"All the Contracts leave to the Society the power of dismissing at pleasure, if on experiment, they find it their interest.

"I thought it advisable in the first instance, to secure Persons of whose Usefulness there was reason to entertain a favorable opinion, tho' upon terms which may appear high,[4] that the Business might be early put in motion.

"It is a point understood between M^{r} Mort and myself, that if desired by

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[1] *Minutes*, 3–5. A copy, somewhat carelessly made, is printed in Trumbull, *History of Industrial Paterson*, 33–34.

[2] A draft of the one with Hall is in the *Hamilton Papers*, xiii, 140.

[3] Dated March 17, 1791, in *List of Patents* (ed. 1805), 4. Pearce's patent is not listed here.

[4] For these terms, see *infra*, 461.

> the Society, he is to go to Europe, to bring over Workmen, at his own Expense in the first instance; but with the assurance of reimbursement and indemnification.[1] To engage such a Person as Mr Mort for this purpose appeared to me a point of some consequence.
>
> "I have the honor to be with great consideration Gentlemen
> Your obedient Servant . . . ."

Of these men Parkinson, who impressed Hamilton least, had been the first to come over. As early as August, 1790, he had impressed Tench Coxe with the practicability of his machine.[2] They seem to have established some definite relationship,[3] and in March, 1791, after having secured a patent, Parkinson advertised his willingness to set up his "Machinery for Spinning Flax, Hemp & Combed Wool,"[4]

> "for any individual or company, on terms to be by them agreed on; and to conduct the Manufactory either for a share of the profits, or stipulated wages."

Hall and Mort had evidently impressed Hamilton most favorably, and with least reason, as the event proved. Mort played Jonathan to Hall's David, but of his antecedents little is known.[5] Hall probably came over at the suggestion of Thomas Digges, a Virginia landlord who had lately gone to Ireland "in order to get over some Tenantry, and among them Artists," to settle on his lands "not far from the new Federal Town."[6] Hall modestly represented himself as well acquainted with

> "the business of printing, staining and bleaching of Cottons and Linnens, in all its parts, . . . as the same is now carried on in the Kingdom of Great Britain, . . .[7]

Marshall, according to his own account, had superintended the erection of cotton mills for Sir Richard Arkwright and was familiar with cotton spinning as perfected by that inventor. Supported by a conversation with two New Yorkers, "Mr. H. Crugar" and "Col. [W. S.] Smith," in the hope of greater advancement in America, he evaded the authorities concerned to prevent the emigration of mechanics and embarked for New York. Arriving there on July 12, 1791, he interviewed "M^{r} Duer, M^{r} Crugar and M^{r} Sands on the Business," and at their suggestion addressed himself to Hamilton. Shortly after, on the basis of an interview and a criticism of the manufacturing plans which he submitted, Marshall was engaged for one of the chief positions.[1]

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[1] In the *Hamilton Papers*, xiv, 73–82, appears a letter or statement in French, which may have been written by Mort in this connection.

[2] Letters of Josiah Burr to Jeremiah Wadsworth, Aug. 26, 1790, Jan. 12, 1791, in *Wadsworth Papers* (Conn. Hist. Soc.). See his advertisement, dated Aug. 21, 1790, in *Mass. Centinel*, Sept. 11, 1790.

[3] Letter of Jefferson to James Maury, May 1, 1791, in *Jefferson Papers* (Mass. Hist. Soc.); Hamilton to S. U. M. Board, Aug. 16, 1792, in *Dreer Coll.* (Hist. Soc. of Pa.), *M. O. C. Papers*, ii, 58. [4] *Gazette of the U. S.*, March 19–April 16, 1791.

[5] He soon married a daughter of Thomas Lowrey: Race, *Sketch of Thomas Lowrey*, 15.

[6] Letter of Digges to Hamilton, dated Belfast, April 6, 1792: *Hamilton Papers*.

[7] Draft of contract, in *ibid.*, xiii, 140.

William Pearce came over also in July at the instance of Thomas Digges, who looked upon him as "somewhat like a second Archimedes," and gave him letters to the President, the Secretary of State, "Governor" Dickinson of Pennsylvania, William Seton, cashier of the Bank of New York, and others.[2] On Jefferson's promise that "all charges would be faithfully repaid," Seton paid Pearce's passage money, supplied him with funds to go to Philadelphia, and sent his precious models to Tench Coxe.[3] Thus he came in touch with Hamilton, who at once set him to work and personally advanced him ample funds for constructing his machines.[4]

Before the end of August, Hall and Mort were sent to reconnoitre the Jersey streams for suitable manufacturing sites. On the twenty-ninth they wrote Hamilton from New York that they had examined the Raritan, and the Delaware for "about 94 miles above Philadelphia," finding on the latter "several good situations."[5] Soon after they visited "Pasaic Falls," of which they reported that "one of the finest situations in the world (we believe) can be made there."[6]

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[1] Letters of Marshall to Hamilton, in *Hamilton Papers*, xi, 61, xiii, 130.

[2] Letters of Digges to Jefferson, April 28, 1791, in *Jefferson Papers* (Library of Congress), Series 2, xxv, 113, and to Hamilton, April 6, 1792, in *Hamilton Papers;* and list of Pearce's machines, in *ibid.*, xiv, 21.

[3] Letter of Seton to Hamilton, June 11, 1792, in Hamilton, *Works*, v, 511–512.

[4] See statements of account to Dec. 24, 1791, and after, in *Hamilton Papers*, xi, 186, xiii, 132. Pearce is not to be confused with one of the same name who served President Washington for several years as overseer of the Mount Vernon estate, the correspondence with whom is printed in *L. I. Hist. Soc. Colls.*, vol. vi.

[5] *Hamilton Papers*, xi, 101.

[6] Letter of Sept. 4, 1791, in *ibid.*

To check up these observations, Thomas Marshall was soon sent on a similar tour of inspection. Accompanied by Moore Furman, whom he had reached through Tench Coxe (a former trading partner of Furman's), he first looked over the Delaware near Trenton; but in spite of Mr. Coxe's offer to bear the expense of the part of the necessary "canal" which should run through his estate, Marshall emphatically advised against the spot and found weighty objections to the use of this river at all. He visited the Rahway brook at Springfield, at the "Particular desire" of Elias Boudinot, and various other points on the Assanpink, Stony Brook, Millstone, and First, Second, and Third rivers near Newark. To most of the points inspected he found insuperable objections, but he finally waxed enthusiastic over a spot on Second River, a mile from the Passaic and within easy reach of Newark, which seemed to combine all the desirable qualifications.[1] After reaching New York he returned on October 1, "at the particular desire of Col! Duer," to visit "the great falls of the Pasaic," in company with a hopelessly French Monsieur Allon of Newark, from whom Duer had secured an estimate of the expense of a canal necessary to utilize the waters at that point. But on the whole Marshall considered this site quite inferior to that on Second River.[2]

Meanwhile Hamilton had been approached by Henry Guest of New Brunswick, Thomas Lowrey of near Alexandria, and John Halsted of Perth Amboy, each recommending his neighborhood for the purposes of the Society and furnishing more or less detailed information regarding the lands and power available, costs of labor, transportation, provisions, and so forth.[3] Duer doubtless received similar communications.

Such was the state of affairs when the board met on December 9. It would seem that one of the two points most highly recommended might have been chosen at once for the site, and time taken by the forelock. But the danger of delay was discounted in view of the moment of this decision, and probably also because of clashing personal interests represented on the board. A committee was therefore appointed to receive plans and applications, and the governor was directed to

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[1] Letters of Marshall to Coxe, September 18, 21, 27, in *Hamilton Papers*.

[2] Letter of Marshall to Hamilton, Oct. 2, 1791, in *ibid.* Cf. the opinion of Hall and Mort on Marshall, in their letter to Hamilton of Aug. 29, 1791: *ibid.*

[3] See letters and other papers in *ibid.*, xi, 60, 81, 186–190, 192; also letter of Lowrey to Duer, Feb. 17, 1792, in *Duer Papers*, ii, 248.

> "frame and publish an advertisement inviting all persons in New Jersey, to make any Proposals they may think proper to this Board, relative to the Positions of the Manufactories."[1]

The following advertisement accordingly appeared in the gazettes of the state:[2]

> "The Legislature of the State of New-Jersey, having by their act of the 22d of November last, incorporated with the consent of its inhabitants, a district, not exceeding in contents, the number of acres contained in six miles square, for the purpose of establishing within the same, the principle seat of the Society for useful Manufactures; and the said Society being desirous to afford to every part of the State, which may possess the most important requisites, an opportunity of supporting their pretensions; GIVE NOTICE, that they will receive proposals, in writing, from any bodies corporate, township or individuals, in the State of New-Jersey, who may be desirous of securing the emoluments, which will result from this establishment. In these proposals, the applicants must specify particularly, the following points, viz:
>
> "The advantage of water, for the purpose of erecting mills and other hydraulic machines, necessary for the establishment of a cotton manufactory on an extensive scale. The statement ought to be accompanied, if possible, with an actual survey, shewing the course of the waters, the different levels, and the nature and position of the adjoining lands: — the advantages of fuel, not only for *present* but for *future* use; in this statement it may be proper to detail, as accurately as possible, the quantity and price of wood, coal or turf, within the proposed district, and the resources which may be calculated on for the continuance of a very extensive supply for a series of years — the advantages of subsistance. This statement ought to shew the average price of wheat, corn, rye, beef, mutton, pork and other principle articles of provisions, and the means to be relied on in future, for a constant supply on reasonable terms, to a populous town.
>
> "The advantages of population; this statement ought to detail with accuracy, not only the number of inhabitants within the proposed district but of the country surrounding for the space at least of thirty miles.
>
> "The advantages of building materials, detailing the present price of Oak and Pine timber, boards, plank, shingles, brick, stone, lime &c. and the resources which may be relied on for a series of years, for a plentiful supply of those articles, at reasonable rates.

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[1] *Minutes*, 5–7.

[2] See *Brunswick Gazette*, December 20–January 3; *N. J. Journal*, December 22. The substance is reported in the *National Gazette*, December 22.

"The advantages of intercourse with the principle commercial towns. In this statement must be shewn, the distance of the proposed district, to the following places; the city of New-York — the city of Philadelphia — the city of New-Brunswick — the city of Amboy — the city of Burlington — Trenton — Elizabeth-Town — Newark — together with the price of transportation, by land and by water, to the respective places above mentioned.

"The advantages to be held up to the Society for employing within the proposed district, an active capital of ONE MILLION OF DOLLARS. In this statement the applicants must specify in particular, what quantity of land, or, land covered with water, they will be willing to give or sell to the company and on what conditions as to price and time of payment; with such other circumstances as may induce a preference to their respective proposals.

"The Society having fixed on the 17th of January next, to meet at the city of New-Brunswick, in order to determine finally on the principle seat of their Manufactories; all proposals must either be delivered to the board of Directors on that day, or previous thereto, be forwarded under an address to the subscriber in the city of Philadelphia, or to Archibald Mercer, Esq. Deputy Governor of the Society, at Millstone, in the State of New-Jersey. In case of conveyance by post, the postage must be paid. *By order of the Society for establishing useful Manufactories,*

WILLIAM DUER, *Governor.*

"New-Brunswick, December 12, 1791."

In a word, the board acted as if it expected the Jerseymen locally to stretch out eager arms to welcome the undertaking, and not merely to make surveys and compile elaborate statistics within a few weeks in the dead of winter, but to vie with one another in offering special inducements for locating the establishment at rival points.

At least one member of the board was not satisfied to let the matter rest thus. As soon as he reached New York after the meeting, Macomb wrote to Duer, who was staying in Philadelphia with General Knox:[1]

"I am of opinion it will be prudent to purchase the Lands at the falls of the Pesaick & in the vicinity of them without further delay, and I think it will be proper to authorize Boudinot to set about it. a few days inattention to this will cost the Society a large Sum. — As we pass'd through Newark on our return, we saw M^r Boudinot, and we encouraged him to go & buy — instant decision will be found to be advantageous, and I assured him, if he purchased you would be pleased. — I hope he may set about it, to prevent Speculations, which you may depend upon it will be made, if we neglect to buy at the present moment."

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[1] Undated letter, postmarked New York, December 12, in *Duer Papers*, ii, 262. It is there erroneously calendared "1792."

But this good advice of an experienced land dealer was not acted upon, and, as announced, the whole matter was laid over until January.

Besides taking these steps toward securing a site and ratifying Hamilton's contracts with the artisans, the board at this meeting passed "An Ordinance for securing the punctual payment of the Monies due on the Subscriptions to the Society," which provided for payment of the first instalment by January 13, at the Bank of New York, the Bank of the United States (Philadelphia), or to directors Bayard or Neilson at New Brunswick.[1] This too was duly published, together with a statement of specie equivalents for the deferred stock on the semi-annual dates for paying the four instalments, the first being $7.41 on a "par" of $12.50.[2]

On Jan. 17, 1792, the board reconvened in New Brunswick for a five-day session. Two disappointments awaited them. While a considerable amount had been paid on the first instalment and the subscription lists showed a total of sixty-three hundred and eighty-eight shares subscribed, the governor announced the receipt of

> "Sundry Letters and Petitions relative to the Petitioners having been prevented either by stress of Weather, or a Misconstruction of the Ordinances from paying the first quarter of their respective Shares."

These were transparent excuses indeed, but it was deemed wise to extend the time of paying this instalment until February 10.[3] As to the site, the deputy-governor's committee could report only

> "That in the opinion of the Committee, the Rivers *Delaware*, Raritan and *Passaic* afford eligible Positions for the fixing the principal Seat of the Town & Factories. — That the communications laid before the Board, do not enable them at present to determine on the merits of the respective Positions."

The board thereupon appointed a committee of six, with Macomb as chairman, with power to fix the site and contract for the purchase of lands and so forth,[4]

[1] *Minutes*, 5–6.

[2] See the various New York, Philadelphia, and Jersey papers.

[3] *Minutes*, 2, 8, 10–12. One letter, that of Jonathan Dayton, is in *Dreer Collection* (Hist. Soc. of Pa.), *Federal Convention*, 38.

[4] *Minutes*, 15–17; published in *Brunswick Gazette*, January 24, 31; *National Gazette*, January 26; *N. J. Journal*, February 1.

"keeping in view the necessity of obtaining a quantity of Lands not intersected with private possessions, sufficient for the establishment of the Town & Factories of the Society."

Since an early settlement of this problem could be confidently expected, steps were taken to prepare for an early beginning of manufacturing operations. A committee consulted with Hall and Mort on the "Measures necessary to be immediately taken to carry on their respective Branches of Manufactory," and reported first

> "That in their conference with Mr. Mort they learn, that it will be necessary to procure a number, forty or fifty at least, of Hands, skilled in the cotton and printing branches; that this will be attended with very considerable expence; and ought to be considered in the most confidential manner: the Committee are of Opinion that a Sum of Money not exceeding Twenty Thousand Dollars be appropriated to this object; and that the whole Business of procuring such Hands be committed to the direction and management of the Governor of this Society, subject to the advice of the Secretary of the Treasury."

Evidently this disposition was made in conformity with Hamilton's wishes. We are thus presented with the spectacle of an American minister of state actively coöperating, in a time of peace, in bringing about an evasion of the stringent criminal laws of a friendly nation relative to the emigration of artisans.[1] The committee further recommended procuring, at an expense of not over $50,000, materials and workmen requested by Hall; this business to be transacted by a committee consisting of Macomb, Low, Dewhurst, Walker, and Boudinot. Both recommendations were forthwith adopted.[2]

Two-thirds of the sum due on the first instalment was thus immediately appropriated.[3] The unappropriated funds "arising from the first and second instalment" were entrusted to another Macomb committee, with authority to place them "in such manner as shall be consistent with the Charter and most productive." The same committee was further empowered, with the concurrence of the governor, to form and carry out a plan for raising by lottery the $100,000 specified in the charter.[1] And the governor was requested

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[1] For these restrictions, see acts of 5 Geo. I, c. 27 (1718), 23 Geo. II, c. 13 (1750), 14 Geo. III, c. 71 (1774), 22 Geo. III, c. 60 (1782). For their enforcement, see letter of Thomas Digges, May 12, 1788, in *Jefferson Papers*, Series 2, xxiv, 51; letter of Moses Brown, July, 1791, in White, *Samuel Slater*, 88; Marshall to Hamilton, July 19, 1791, in *Hamilton Papers; Newark Gazette*, Aug. 6, 1794.

[2] *Minutes*, 15–17, 20–21.

[3] From the $20,000 committed to him, Duer was to reimburse himself for sums paid Pearce and Hamilton, pay Marshall $259 on account, and settle various advertising bills, etc.

> "to know from the President & Directors of the Bank of the United States, and of New York, at what Rate, and for what time, they will accommodate the Society with the moneys they may want from time to time."[2]

Clearly no time was to be lost in putting into execution the financial plan which so strongly appealed to the promoters.

In anticipation of the beginning of operations the board appointed "Superintendant-General of the Works of the Society," at $2000 per annum, Nehemiah Hubbard of Middletown, Conn., who had been deputy-quartermaster-general for Connecticut during the war, and both before and since had engaged extensively in foreign trade.[3] Benjamin Walker, member of the board and of all its important committees, was appointed "to act as Accomptant to the Society, until a proper Person be appointed for that purpose;" and his signature as well as the governor's was required for withdrawals from the banks.[4]

With these weighty affairs determined and various minor matters given due attention, the board adjourned on January 21 to meet again on the first Tuesday in April.

The committees took steps to discharge their duties. Duer drew $10,000 of the sum appropriated for confidential expenditure and despatched one French to France to procure tools and workmen "for the establishment of a manufacture of brass and iron wire;"[5] though he does not seem to have sent Mort or anyone else for the hands particularly requested by that gentleman. The order for Hall's goods was sent to a Liverpool middleman, and funds remitted to London, through Macomb and Dewhurst, to meet his drafts.[6] Macomb was instructed by his committee to loan the unappropriated funds — illegally, to be sure — "to any Person who would take it at 7 Per Centum Per Annum and deposit as a Collateral security Deferred Debt at 14/ in the Pound." [1]

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[1] *Minutes*, 17–18.

[2] *Ibid.*, 18–19.

[3] *Ibid.*, 12, 19; Day, *Hubbard History*, 141, 341–344.

[4] *Minutes*, 21. Though practically treasurer, no security was demanded of him.

[5] Letter of Hamilton to the directors, Aug. 16, 1792: *Dreer Collection* (Hist. Soc. of Pa.), *American Statesmen*, vol. ii. Could the name be "Trenet"? Such a Frenchman had come over with the first lot of Scioto emigrants. See Essay II, 227.

[6] *Minutes*, 28–29.

The resolutions regarding the site were widely published, and the newspapers printed verses on "The Courtship of Miss Manufacture." [2] Thomas Lowrey did his utmost to get the committee to select a tract of nearly a thousand acres near Stoll's (?) Falls on the Delaware.[3] A meeting of the inhabitants near the Passaic was held in Aquackanonk, and a committee appointed to confer with the Society, offering every alternate three-acre lot at a reasonable valuation and perhaps a portion gratuitously.[4] The committee held one or more meetings in New Jersey for inspection and negotiation,[5] and on February 22 the *New Jersey Journal* reported a rumor that the Passaic was the choice and that to secure entire possession the landowners there had been offered double an impartial valuation. Finally, early in March, Duer entered into a secret agreement, through Samuel Ogden, for the purchase of lands at Vreeland's Point, on the Passaic some miles below the Great Falls.[6]

Meanwhile the Society's scrip was being liberally dealt in on the New York stock market, at prices ranging steadily above the sums paid in and touching $50 on January 26 and $55 on March 6.[7] Macomb wrote January 1 to Duer in Philadelphia: "Walker may be touching the Manufactoring Stock while at Phil^{a}. if you think it prudent." [8] Some of the New Jersey subscribers, probably including Elias Boudinot, John Bayard, and William Paterson, took this favorable opportunity to unload part or all of their subscriptions,[9] and it is highly probable that Hall and Mort, who with Hamilton's aid had secured scrip for sixty and eighty shares respectively "without paying the same for one year,"[1] went and did likewise. The New York speculators not only furnished an ample market for these shares, but subscribed heavily to a similar manufacturing scheme for Connecticut which Duer undertook to float for James Watson and Jeremiah Wadsworth.[2] At this juncture, however, the financial panic in New York and Philadelphia shook the new undertaking to its foundations and threatened its absolute downfall.

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[1] *Minutes*, 26–27. The deferred stock, which in November and December sold around 13s., rose early in January to 14s. See chart *supra*, 209.

[2] *Brunswick Gazette*, Jan. 31, 1792.

[3] Letter to Duer, February 17, in *Duer Papers*, ii, 248.

[4] Trumbull, *History of Industrial Paterson*, 32.

[5] See items in *National Gazette*, January 30, February 13, and *N. J. Journal* February 8.

[6] *Minutes*, 34–35.

[7] Quotations, e. g., in *Daily Advertiser* (N. Y.): see Appendix A of this essay.

[8] *Duer Papers*, ii, 247.

[9] See letter of Bayard to Elisha Boudinot requesting the names of the buyers, Sept. 1, 1792, in *Dreer Collection*, *M. O. C. Papers;* Boudinot, *Elias Boudinot*, ii, 82.

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[1] *Minutes*, 8–9.

[2] Letters of Watson to Wadsworth, Dec. 18, 1791, March 14, 1792 (the latter enclosing list of subscribers), in *Wadsworth Papers;* Essay II, 273–275.

CHAPTER IV

PANIC AND RECOVERY

THE New York activities of this winter and spring immediately affected the manufacturing society in two distinct ways. In the first place its leading officers and directors were leaders also in the speculative boom, and with their attention thus absorbed they had not time to devote to putting the Society on its feet. Duer, Macomb, Walker, Flint, Dewhurst, and Lewis — all but one of the New York directors — were in the thick of the security speculations and must have found these operations engaging practically all of their energies, while Low and Macomb must have also been busy about the establishment of the New York branch of the national bank. In the second place, when the storm broke, Duer was its first victim, in mid-March, and Macomb, Flint, and Dewhurst had followed him into bankruptcy before another month had passed,[1] while many other subscribers were severely injured. Thus the Society was shorn of its leaders and its sources of funds were materially cut down. Furthermore, the Society's paid-in funds were largely in the hands of these very men and were somewhat involved in their private operations.

April 3, the day set for the quarterly meeting of the directors of the S. U. M., came almost at the height of the panic following the suspension of Duer and his associate Livingston. To the meeting came five New Jersey directors, followed two days later by the sixth — Elisha Boudinot, who had the secretary's books. The governor, the treasurer, the chairmen of important committees were all missing, and with them the records pertaining to their affairs. Not a representative was present from the committee on the lottery and investment of funds except Boudinot, who had been absent at the decisive meeting of the committee, and but two unimportant members of the committee on the site. The governor was in jail, with his affairs in much disorder; other members of the board were known to be entangled in the same difficulties. The prestige of the Society was severely injured, and grave fears as to the security of its funds were expressed. To anxious letters which awaited the board the assembled directors could give no reassuring replies, and they were overwhelmed by the sudden disaster and by their ignorance of the undertaking and of the steps which had already been taken to establish it.[1]

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[1] Essay II, chap. 7.

After two days of desultory action it was determined to send an appeal to the Secretary of the Treasury, and this missive was accordingly despatched.[2]

"New Brunswick April 6th 1792.

"SIR:

"The Directors of the Manufacturing Society held their quarterly meeting at this place on Tuesday last, all the Gentlemen from Jersey met, but none of the Directors from New York appearing, it was thought of the utmost importance, considering the advanced Season of the Year, the confusion our affairs appeared to be in, and the necessity of restoring the public confidence that a full board should be obtained if possible and the situation of our funds investigated & known, we therefore sent to New York requesting some of the Gentlemen to come forward with every information in their Power. to this Mr Walker replied 'That in this critical moment when every hour brings its misfortunes and the property of every man at hazard, none of Them can possibly leave town; wishing us to adjourn to New York.' — by way of accommodation and in order that the business of the Society may not be wholly neglected this board have adjourned to the 17th Inst to meet at Powles Hook. — from the best information we can obtain there is no Money at Command nor are we wholly satisfied with the application of it, but for want of full information we can only give you this hint. . . .

"Mr Hubbard we are informed by Mr Flint has resigned his appointment as Superintendant General, but in such a Manner as to preserve our confidence in him as a suitable Person for the appointment.

"It is natural for us in the present situation of the business, to look up to you as the founder of the institution & from the communications we have received from you, we have no doubt but you have the good of the Society at Heart. — Hitherto we have depended on our Governor for the necessary plans to be pursued and which he promised to lay before us, but as a great deal of time has been spent to little purpose, and the critical situation of his private affairs will and must prevent his attention to this business, we take the liberty of requesting in the Name of the Society, that you will be kind enough to furnish us with your Ideas and advice on the Subject and assist us in our operations as far as in your power.

"At present we think it advisable to confine our attention to the Cotton branches alone, and have at this meeting dismissed several applications for other branches that have been kept in some measure in suspense. —[1] at our last meeting the Governor informed us that some steps had been taken by you, & himself, with regard to the procuring of Workmen from Europe, and that the probable expence would be about 20'000 Dollars — we take the liberty to inclose you the resolutions of the board on that Subject, and would be glad to know whether you have or can take any measures to accomplish that object — and whether you would recommend any other branch of Manufacture besides the Cotton, to be adopted. — we are very apprehensive that from the delay that has taken place, the whole year will be lost with regard to the Printing of Callicoes, and a very great expence accrue to no purpose, as the fashions may totally change, and the long-cloaths sent for, lay upon hand til next year.

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[1] *Minutes*, 22–24.

[2] *Hamilton Papers; Minutes*, 24.

"M^r Lowrey is appointed to wait on you with this letter, and to take in Charge your communications on the Subject. — In behalf of the Society for establishing useful Manufactures, I am with perfect respect. —

"Sir
Your most obed^t and very hum: Servant
ARCHIBALD MERCER *D G*"

During this trying period Hamilton had not been idle or forgetful of the Society's fortunes. He had written Duer on March 14, urging him to plunge no deeper and to "take all the care you can in the first place of institutions of public utility, and in the next of all fair creditors."[2] With other friends in New York, such as Nicholas Low and William Seton, cashier of the Bank of New York, he was in constant communication. Already on March 25, without the legally requisite authorization of the commissioners of the sinking fund,[3] he had directed the purchase of securities for the sinking fund, in the hope of preventing needless sacrifices of collateral and of staying the panic. On April 4 he sent a second authorization, promising further aid if needed. "To relieve the distressed, and support the funds," he wrote, "are primary objects." Eight days later a third note carried additional "latitude." And while the purchases accordingly made were inadequate to prevent or even greatly to alleviate "the great and universal distress," they were very welcome.[4]

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[1] See *infra*, 487.

[2] *Works*, v, 498, quoted in Essay II, 292–293.

[3] These comprised the secretaries of State and the Treasury, the Vice-President, the attorney-general, and the chief justice of the Supreme Court.

[4] Seton-Hamilton correspondence in Hamilton, *Works*, v, 498–502, 505. Cf. report of these purchases, in *Amer. State Papers*, *Finance*, i, 165–166. The records of the commissioners of the sinking fund show that Jefferson dissented from the votes authorizing these purchases: *ibid.*, i, 236–237. Cf. also Essay II, chap. 7.

When the letter from the deputy-governor arrived, the crisis was not yet past, and Hamilton withheld his answer. On April 9 the British packet sailed with news of the failure of John Dewhurst, the director to whose London partner the $50,000 had been remitted to pay for Hall's order.[1] This very day Seton wrote to Hamilton:[2]

> ". . . everything still is going down Hill — the extent of the evil, or the amount of Contracts &c, it is impossible to form a judgment of but I understand from everybody that this week will be the most distressing period of any. . . . The Bank continues to discount twice a week on a Deposit of Stock & has very considerably by this means extended its loans — but so many failures are daily happening that I fear many of our old Loans are in jeopardy — . . .
>
> "The whisper of the day is very unfavorable, for should the report be true that Mr M– [Macomb] cannot or will not comply with his engagements, the distress already experienced is but a trifle to what is yet to be expected."

Low's letter of April 10 expressed the same fear and prophesied "if he stops an almost universal stoppage of payments will ensue."[1] Next day Seton wrote even more anxiously, saying that on Monday the twelfth "the Company, of which Mr Macomb is the ostensible person" would have large payments to make:[2]

> ". . . therefore if it were possible that I could go into the Market for you in force that day, and that was known I should do so, it would in all probability save the City from utter ruin, perhaps such a day may never occur again — . . ."

On April 12 a contributor to a New York paper, in a lugubrious comment on the ill success of American experiments in textile manufactories, referred to "the notoriously embarrassed situation" of the "pecuniary funds" of the one proposed to be established in New Jersey, "and of the man [Colonel Duer] with whom the project ostensibly originated," and foretold its early dissolution.[3] The next day's issue announced Macomb's dreaded suspension, with liabilities soon after stated at $1,583,000 and assets of $900,000; and "A Citizen" commented that "public confidence has received such a blow as may eventually stagger the stability of government."[1]

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[1] Letter of Low to Hamilton, April 10, in *Hamilton Papers.*

[2] *Hamilton Papers.*

[3] Quoted in *National Gazette,* April 16.

With these facts at hand Hamilton could not write with quite his accustomed buoyancy. Nevertheless the letter which he sent from Philadelphia on April 16 was cool, clear-cut, and calculated to be distinctly enheartening to the bewildered S. U. M. board. Thus he writes:[2]

"Gentlemen

"Among the disastrous incidents of the present juncture, I have not been the least affected by the temporary derangement of the affairs of your Society. If however no real misfortune shall have attended any considerable part of your funds, the mere delay will be no very serious evil. It will not be difficult to put the business in Train with more promising prospects.

"The following appears to me to be the course proper to be pursued —

"To appoint the proper officers of the Institution and regulate their duties. I mean a Superintendent, an Accountant, and a Cashier; especially the first. Tis impossible that anything can proceed with vigour or efficiency till this is done. An infinite deal depends on the qualifications of the Superintendent. If Mr Hubbard was recoverable, no pains should be spared to effect it — If this is to be despaired of, some efficient man of *clear integrity*, ought without delay to be sought in his place.

"The Cashier ought also to be of a character and *in a situation* to inspire the most thorough confidence.[3]

"No time ought to be lost in determining upon the place and contracting for the land and commencing the buildings. Under present circumstances I would advise that the latter be begun upon a moderate scale yet so as to be capable of extension.

"I would also advise that the Society confine themselves at first to the cotton branch. The printing business to commence as early as possible. A complication of objects will tend to weaken still further a confidence alredy too much impaired.

"If a loan should be wanted I would if requested cooperate to endeavour to procure one on favourable terms.

"Means should be taken to procure from Europe a *few essential workmen;* but on this too there ought to be *measure* and circumspection. Nothing should be put in jeopardy.

"The lottery might be postponed to a better opportunity.

"At my present distance, I can only offer these general suggestions. I am not sufficiently apprised of particulars to enter into detail. I will only add this general observation that nothing scarcely can be so injurious to the affairs of the Society as a much longer suspension of operations.

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[1] *Federal Gazette*, April 14; *Gazette of the U. S.*, April 21.

[2] *Dreer Collection, Presidents' Papers*, 12.

[3] Walker, of course, was in the thick of the New York speculations, though probably not himself seriously involved. For Hamilton's opinion of his stability, see Hamilton's letter to Washington, Aug. 19, 1798, in A. M. Hamilton, *Intimate Life of Alexander Hamilton*, 323.

"With great consideration I remain Gentl:

Your Obed Sr

A Hamilton"

In the four-day session at Powles Hook which opened on April 17, the positive suggestions of this comprehensive letter were generally neglected, for the state of the funds was the all-absorbing theme. The treasurer and his records were examined with care, and committees waited on Duer, Dewhurst, and Macomb for detailed statements of their operations with the Society's moneys.

It appeared that Walker had proper vouchers for $4629.89 and could account for the balance of a warrant of $5000 drawn to his order. As to the $10,000 put in Duer's hands, the board was forced to accept simply his unsatisfactory assurances "that the Society may rest satisfied in the security as well as the faithful application of this fund." Regarding the $50,000 remitted to England, it was formally announced that "the several articles ordered may be expected to arrive in the Months of June and July," but informally it was admitted that practically the entire sum was "in jeopardy." What Low had written Hamilton on April 10 for his "private Ear"[2] may or may not have been made known to the directors: that four of the New York directors had privily despatched a pilot boat, as soon as possible after Dewhurst's failure, to get the Liverpool agent to draw on Dewhurst's London partner before the British packet should arrive with the news of the failure. Said Low: "we have conceived it our Duty to adopt this as the only Chance of saving so large a sum."[3] At Macomb's suggestion, "to prevent any confusion in the affairs of the Society," the board accepted "as a Purchase" the $75,845.72 in deferred stock of the United States which had been pledged as collateral for the loan of $53,000 of unappropriated funds. At prevailing prices this was worth about $45,500. The machinery, furthermore, was reported "in great forward-

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[1] *Minutes*, 25–31.

[2] *Hamilton Papers.*

[3] This action aroused many conjectures: cf. *N. Y. Journal*, April 18; *N. J. Journal*, May 2.

ness, some . . . ready to be put up as soon as the necessary buildings are prepared."

With a view to quieting rumors more extravagant than the facts warranted, and in keeping with the policy of publicity which had all along marked the movements of the Society, a summary of these facts was published.[1] But Mercer no doubt expressed the gloomy sentiment prevalent among the directors when he wrote Hamilton that "the affairs of the Society are as much deranged as they well can be."[2]

At this meeting a few minor matters received attention: among other things, Hall and Mort were voted $400 each, in response to an earnest appeal from Duer that they would be "much Embarrassed unless means are devised for their Relief."[3] But the important business was postponed to a special meeting set for May 15, when the New York directors, of whom Walker alone had come to this meeting, might be expected to be present. Hamilton's attendance was urgently requested. Mercer wrote the secretary on April 30, at the conclusion of a letter describing the proceedings of the meeting just ended:[4]

> ". . . it is the wish of all the directors that you attend the meeting as everything depends upon a good beginning, for my part I confess myself perfectly ignorant of every duty relating to the Manufactoring business, as it is a favourite design of youres, you have no doubt considered the subject and as we all have a full confidence in you your presence will be absolutely necessary"

Meanwhile, probably at the suggestion of one or more members of the board, Hamilton wrote on May 3 to Nehemiah Hubbard:[5]

> "SIR:
>
> "I heared with much regret, though in the appearances which must have struck you, not with much surprise, of your determination to decline the appointment of Superintendent of the Manufacturing Society. This institution has presented itself to my mind as of such real public importance, that I feel myself much interested in its success; and I acknowledge that I continue to entertain a conviction of the practicability of ensuring that suc-

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[1] *National Gazette*, April 30; *N. J. Journal*, May 2.

[2] Letter of April 30, in *Hamilton Papers*.

[3] Letter of April 20, in *Dreer Collection, Governors*, i, 68.

[4] *Hamilton Papers*.

[5] Day, *Hubbard History*, 342–343.

cess by judicious management. To this end a fit person as Superintendent is undoubtedly an essential mean. And my repeated reflections have proved to me that it is far from easy to find a choice of proper characters. Hence I feel a peculiar anxiety that you should reconsider your resolution and still consent to undertake the business.

"Those characters in the Direction, who were too much invellopped in Speculation to pay proper attention to the truth [trust?], will henceforth be out of the question, and I entertain no doubt that the next Election will supply their places in a manner which will inspire confidence. I am allso persuaded that the Superintendent, if a competent and trust worthy person, will be cloathed with such a portion of discretionary authority as will enable him to fulfil the objects of the Society. To this I may add that subordinate characters to be placed at the head of the several branches (I mean of the Cotton Manufactory) of whose competency there is satisfactory evidence, are actually engaged, and that a considerable progress has been made in preparation.

"The Society meet on the 15th instant. It is my intention to meet them, and I feel a confidence that I shall be able to give just a direction to their measures as will recover the ground that has been lost by delay and indecision — If I can by that time announce that you are willing to join the Company, it will give me particular satisfaction.

"I will however observe that in such case it is of moment you should be able to enter promptly on the business. The spot must be fixed upon and the buildings commenced. Let me, I pray you, previous to that time hear from you on the subject.

"I am aware that the step proposed to you is of consequence. I will only add that if the event shall not answer expectation, I should feel myself bound to endeavor to render it not injurious to you by any source which might be in my power.

"I am, with assurances,

Your Obed Servant,

A Hamilton."

This appeal brought no favorable response, for in spite of the significant assurance contained in the last paragraph, Hubbard preferred the trading risks with which he was familiar to the industrial and financial risks which were new to him. And in his refusal lies no small part of the explanation of the ultimate failure of the Society to answer the expectations of its promoters. As Hamilton fully realized, the central problem was one of management, and it was many months before a fair beginning was made in its solution.

In the meantime a new start was made under excellent auspices. When the board got down to business on May 16, it was attended by all the directors except Duer, Macomb, and Flint, and by the Secretary of the Treasury, whose influence was distinctly felt throughout the session.

At the very outset Hamilton was requested to use his influence with Colonel Duer to obtain the promised statement of account. Probably partly in answer to this request, Hamilton wrote his lengthy letter of May 23 advising Duer how to treat his creditors. He urged the peculiar claim of the manufacturing society as a public institution, adding, "The public interest and my reputation are deeply concerned in the matter." But Hamilton's efforts, like those of others, were utterly in vain.[1]

Attention was first concentrated on the question of the site. Disclosure was made, apparently for the first time, of the extent to which Duer had proceeded in this matter,[2] but the whole problem was considered afresh. On May 17 and 18

> ". . . the Board proceeded to examine into the several communications relative to the Seat for the Manufactory, viz^{t} from Passaick, Musconetcong and Hulls falls [Stoll's Falls, or Bull's Falls, on the Delaware?], South River, and Raritan. . . .
>
> "After several explanations by several of the Directors and the Secretary of the Treasury, it was
>
> "Resolved unanimously That the Town of Paterson be located upon the Waters of the River Passaick at a distance not more than six Miles from the same on each or either side thereof between these at of M^{r} Isaac Gouverneur near the Town of New Ark, and Chatham Bridge:"

Messrs. Low, Bayard, and Boudinot were appointed a committee to locate the town precisely within these limits and to make the requisite purchases of lands, with entire disregard of the Duer negotiation. An appropriation was made for the incidental expenses of the committee, and with a view to financing the purchase the treasurer was authorized to negotiate a loan of $10,000 with the Bank of New York or the New York branch of the Bank of the United States, "on the best terms he can." [3]

Five thousand dollars was further appropriated "for the payment of Machinery and Workmen under the Direction of Thomas Marshall," who was directed "to prepare as speedily as he can,

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[1] *Minutes*, 35; J. A. Hamilton, *History of the Republic*, iv, 289; *supra*, 317. Cf. also letter of Wadsworth to Wolcott, Aug. 10, 1794, in *Wadsworth Papers*, xiii, 36.

[2] See *supra*, 408.

[3] *Minutes*, 34–38.

Machinery for a Mill of eight Drums for the use of the Cotton Manufacture;" and additional sums were ordered to be paid on account to the other employees of the Society.[1]

There was passed furthermore a supplement to the ordinance relating to the payment of subscriptions. This recited that "circumstances" (which were not and did not need to be detailed) rendered it "inexpedient to exact the full payment of the second instalment on July 13," the day appointed; and notified subscribers that it might be paid in equal parts on August 13, September 13, and October 13, with lawful interest from July 13.[2] Obviously the board looked forward to such an improvement in financial quarters and in the Society's prospects that this leniency might result in the full payment of subscriptions which could not at once be counted upon.

Of Hamilton's interest and influence, as well as of the steps actually taken, no secret was made. Indeed, in the reports of the May meeting which were widely copied in the gazettes, this paragraph frequently appears:

> "We further understand, that the business is to be immediately put into effective operation, and countenanced and supported as the undertaking is by the indefatigable assiduity and industry of the secretary of the treasury, who can doubt its success?" [3]

Nor did Hamilton stop here. In fulfilment of his promise of April 14 to coöperate to procure a loan on favorable terms, he wrote confidentially on May 25 to his friend and official agent, William Seton, cashier of the Bank of New York: [4]

> "The society for the establishing of useful manufactures, at their last meeting resolved to borrow a sum of five thousand dollars [5] upon a pledge of deferred stock. Mr. Walker is empowered to negotiate the loan, and I expect application will be made to the Bank of New-York for it. I have a strong wish that the directors of that bank may be disposed to give facilities to this institution upon terms of perfect safety to itself. I will add, that from its situation it is much the interest of our city that it should succeed. It is

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[1] *Minutes*, 41.

[2] *Ibid.*, 39–41; published in *Gazette of the U. S.*, June 27, July 4, 18; *National Gazette*, July 4, 11, 21; *N. J. Journal*, July 4. Cf. slightly different notice in *National Gazette*, August 1 to October 10.

[3] *Independent Gazetteer*, May 22; cf. also *N. J. Journal*, May 23.

[4] *Works*, v, 508–509.

[5] This sum is obviously less formidable than the $10,000 actually authorized.

not difficult to discern the advantage of being the immediate market of a considerable manufacturing town. A pledge of public stock will completely fulfil the idea of perfect security. I will add more, that in my opinion banks ought to afford accommodation in such cases upon easy terms of interest. I think five per cent. ought to suffice, for a direct public good is presented. And institutions of this kind, within reasonable limits, ought to consider it as a principal object to promote beneficial public purposes.

"To you, my dear sir, I will not scruple to say *in confidence*, that the Bank of New-York shall suffer no diminution of its *pecuniary facilities* from any accommodation it may afford to the society in question. I feel my reputation much concerned in its welfare.

"I would not wish any formal communication of this letter to the directors, but you may make known my wishes to such of them as you may judge expedient.

"With real esteem and great regard, . . ."

The full weight of this recommendation can be appreciated only after a study of Hamilton's previous connections with Seton and his bank and the relations at this time subsisting between this institution and the Treasury Department. Suffice it to say that Hamilton had opposed the idea of a branch of the national bank in New York, that when this was determined upon he used his influence to establish and maintain harmonious relations between it and the older bank, and that at this moment the Bank of New York was a federal depositary to an extent limited largely by Hamilton's discretion.[1]

Naturally, therefore, the bank responded favorably, even eagerly. On June 11 Seton replied privately:[2]

". . . Our Board immediately agreed to the Loan [$10,000] and to a charge of 5 P Cent interest, only — to be charged upon the Sum as drawn out of the Bank — It was taken up upon such a footing as you could have wished, & acceded to with the most earnest wish to promote the beneficial public purpose intended — "

More formally, but in the same tenor, Seton wrote two weeks later:[3]

"Our Directors are informed of your Sentiments respecting the Loan to the Manufactoring Society, be assured, My Dear Sir, they have so much confidence in any measure pointed out by you, & take so much pleasure in promoting your views, which they are all well convinced are ever intended for the public good, that by complying with your wishes, they have not even an opportunity of retaliating the obligations this Institution is under to you. . . ."

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[1] See further Essay IV, chap. 2.

[2] *Hamilton Papers.* The letter in which this passage appears is printed in Hamilton's *Works*, v, 511–512, but without this paragraph and without marks to indicate an omission.

[3] *Hamilton Papers*, and *Works*, v, 512.

Thus the loan was secured, and a larger one soon after,[1] on terms as good as the United States government itself could secure.[2] However, despite their commendable show of enthusiasm for Hamilton's plans and the public welfare *per se*, Mr. Seton and the bank's directors were henceforth far from backward in calling upon the Secretary for aid or leniency when they found the competition of the Bank of the United States hard to meet or the Treasury drafts coming at inconvenient times.[3]

The precise location of the new town was soon accomplished. On May 29 the committee

> "went to the Great Falls of Passaick accompanied by General Schuyler[4] and several other Gentlemen well acquainted with the country and the nature of Water Works in general, . . . went over the ground for some Miles round, and employed proper Persons to make survey's and levels."[5]

For the precise site of the works several possibilities were considered, some of them involving the construction of canals several miles long.[6] On the choice between them Hamilton's advice was sought and given as follows:[7]

> "I have had a full Conversation with General Schuyler on the Subject of the Several propositions which have been under consideration respecting location of the buildings for the Manufactory. My original impressions on this point, have been confirmed by Subsequent examination; And I now Entertain no doubt doubt [sic], that the most advisable course is to abandon

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[1] See *infra*, 477.

[2] *N. Y. Journal*, June 2, Aug. 29, 1792; *General Advertiser*, May 31, 1792.

[3] See further Essay IV, chap. 2.

[4] Hamilton's father-in-law, president of the recently incorporated New York canal companies, and considered an authority on canals. See esp. Lossing, *Philip Schuyler*, 465–470, and Essay IV, chap. 3.

[5] Report of committee to the board: *Minutes*, 42–43.

[6] See *infra*, 464–467.

[7] *Hamilton Papers*, xiii, 183–184; *Works*, v, 471. J. C. Hamilton heads it "Hamilton to Bayard, Low and Boudinot, 1791." The manuscript is not dated, but is addressed: "Nicholas Low, John Bayard & Elisha Boudinot Esqrs Counsellors of the Directors for Establishing useful Manufactories New Ark New Jersey" It clearly belongs to this period, probably early in June, 1792.

for the present the Idea of a Canal And to erect the necessary buildings near the Great Falls[1]

"It is not clear to me that the advantages of pursuing the Canal plan would, at any rate compensate the differences of Expense; but I think it very evident, that to attempt it in the first instance would disable the Company from prosecuting with Adequate means, the subsequent Arrangements necessary to the Manufactory

"As to the location of the district or Township I think it ought to comprehend the *Little Falls.* And the head of the navigation of the Passaic, and it ought to embrace both sides of that River — the whole distance between those two points. — As to the rest, the more compact it is, and consequently the more nearly in a Square the better. Many local circumstances unknown to me must decide the precise form — I once thought it might be well to take three miles by twelve on the Passaic — but on further reflection I see no solid advantage in Such an extention in length, and there would be an obvious convenience in a more compact form — The police in the district in particular can be much better regulated

"Permit me to Suggest that as soon as a location is made a meeting of the Directors ought to be called at a very Short day — Many things press and much will depend on going forward henceforth with ardor and dispatch.

"With very great esteem and confidence
I am Gentlemen
Yr obt. Servt."

In accordance with this opinion the committee "judged it most prudent to fix the principal Seat of the factory at the Great Falls," arranged for the purchase of lands there, authorising Colonel Ogden to "get clear of the purchase" of the lands down the river which Duer had selected, and caused the lines of the town to be run out.[2] On July 3 the board met at the Falls, and on the fourth, the Secretary of the Treasury having arrived, the report of the committee was heard with approval. On July 5 the committee received deeds for some seven hundred acres bought from a number of proprietors,[3] and tendered in payment the sum of £3293 8s. 6d., presumably part of the proceeds of the loan from the Bank of New York.[4]

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[1] See plate and description of the "Paysaick Falls" in *N. Y. Magazine*, vi, 65 (February, 1795).

[2] Report to the board, in *Minutes*, 42–43. The lines are given in a note appended to the charter in Paterson's edition of the laws of New Jersey, p. 115. Cf. also *Newark Gazette*, Aug. 23, and *N. J. Journal*, Sept. 19, 1792.

[3] *Minutes*, 43–44; Trumbull, *Industrial Paterson*, 33. Trumbull gives a list of the purchases.

[4] In "York money," as Trumbull probably rightly interprets it, this sum would be equivalent to $8233.53.

In the press the site was thus enthusiastically described:[1]

> ". . . Nature has been particularly bountiful to this spot, a healthy and delightful country, excellent water both for domestic and mill purposes, abundance of good building stone is to be met with on the spot, plenty of fuel, the river and brooks around it abound with fish; provisions are very cheap, and the country thickly settled. These advantages, together with its contingency to, and easy communication with one of the first cities in the United States, makes it unquestionably one of the most eligible and desirable situations in the world for the permanent establishment of manufactures."

Exception might be taken to some of these statements. Truly natural conditions were excellent. But "thickly settled" must be interpreted with a large measure of "relativity," for on the present site of the city of Paterson there were not more than ten dwellings and a church. Potentially, indeed, communication with New York was "easy," but for the time being railroads were non-existent, roads were extremely poor, and the Passaic was not navigable within several miles of the Falls. History has borne out the enthusiasm of the founders over the ultimate desirability of the site, but the enthusiasm proved quite premature.[2]

Promptly upon the settlement of this important and long-delayed matter, appropriations to a total of $67,150 were made for erecting mills, machinery, and houses for employees, and for procuring chemicals for dyeing and printing, so that all the facilities for the manufacture and printing of cotton goods might be early available.[3] No superintendent was chosen, but the committee which had selected the site (Low, Bayard, and Boudinot) was directed to arrange for the building of the works,[4]

> "preferring contracts in every case, in which they can be advantageously made; to appoint and assign the pay to an Agent under them, and with authority also to borrow on account of the Society a sum exceeding seventy Thousand Dollars and to pledge as a Security, The Stock of the Society in the funds of the United States. . . . And also . . . to lay out the Town in such a manner as they shall judge most expedient."

The committee forthwith published in New York, New Jersey, and Philadelphia newspapers elaborate specifications of the various structures contemplated and requested bids for their erection.[1] Maj. P. C. L'Enfant, the popular French engineer who had lately drawn the plans for the federal capital on the Potomac, was engaged to lay out the "capital scene of manufactures" on the Passaic.[2] An advertisement of the desire of the directors that the district should be incorporated was published, early in August, in accordance with the charter provision.[3] Also,

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[1] *National Gazette*, July 14, 1792.

[2] Trumbull, *Industrial Paterson*, 19.

[3] *Minutes*, 44–50.

[4] *Ibid.*, 49–50.

> "Instructions were given to the conductors of the different branches of the manufactory, immediately to remove thither and complete their machinery, with all convenient speed . . ."[4]

In all of these preparations the energy and influence of Hamilton were utilized. He probably met with the committee more than once.[5] He again exercised his good offices with Seton.[6] By his wish and promise of "friendly Support" L'Enfant was persuaded to come to Paterson.[7] He saw personally to the shipment of the machinery from Philadelphia.[8] He wrote to the board a lengthy letter commending L'Enfant and making suggestions with regard to the chief artisans which grew out of his experience with them.[9] Continually he urged speed. "No time ought to be lost . . . Pray, my friend, let nothing slumber," was his word to Boudinot.[6]

A slight disappointment awaited the committee when it examined the bids on August 2, for it found

> "the proposals but partial and those at a rate which far exceed any idea that had been formed of the expense attending the same, and after mature consideration they determined that it will be for the interest of the Society to

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[1] See, e. g., *National Gazette* or *N. Y. Journal*, July, 1792, and *infra*, 469.

[2] *General Advertiser*, July 11; *National Gazette*, July 14. L'Enfant had been unable to work with the commission in charge on the Potomac, and had virtually been discharged: see esp. Jefferson, *Works* (Washington ed.), iii, 221, 236, 286, 336–338.

[3] Dated August 1: *N. J. Journal*, August 15; *Minutes*, 68.

[4] *National Gazette*, July 14.

[5] See letter to Boudinot, July 30, in *Works*, v, 517.

[6] Letter to Elisha Boudinot (inaccurately designated Elias by the editor), July 12, in *Works*, v, 514.

[7] Letter of L'Enfant, Oct. 16, 1793, in *Hamilton Papers*.

[8] Letter to Walker, July 30, enclosing bill of lading: *Dreer Collection, Federal Convention*, 20.

[9] Letter of August 30, in *Dreer Collection, M. O. C. Papers*, ii, 58; see *infra*, 465, 471.

> erect the Works themselves under the inspection and direction of Agents appointed for that purpose."

The job was thereupon entrusted, under the supervision of the committee, to Major L'Enfant, Col. John N. Cumming, a Newark stockholder prominent in the stage business, and the chief artisans employed by Hamilton, especially Hall, Marshall, and Pearce.[1] Some criticisms having arisen with reference to the plans adopted at the July meeting for bringing the water from the river to the works, L'Enfant was asked to prepare a plan for the satisfactory accomplishment of this purpose.[1]

Despite this setback, affairs were in a most "promising train" when on August 20 the directors met in special meeting at Newark. Hamilton, busy in Philadelphia, did not deem his presence essential, and contented himself with writing two letters on matters of detail.[2] Little needed to be done but to approve the actions of the committee and to sanction its continuance on the same footing.[3]

Early in September this account was published:[4]

> "On Wednesday the 22 instant arrived at the town of Paterson [sic] from Newark, a respectable number of gentlemen, directors and friends of the manufactory. They proceeded to examine the several works, and viewing the machinery for carding, roping and spinning cotton, they expressed their entire approbation, as the works far exceeded their most sanguine expectations. — We are happy to inform our readers that this undertaking promises fair to be beneficial to the proprietors and of great utility to the community at large.
>
> "Major L'Enfant laid before the meeting . . . a plan of the town, which far exceeds anything of the kind yet seen in this country. The buildings of the manufactory, and dwelling houses for the accommodation of the artists and workmen, are going on very rapidly, and it is expected from the spirited exertions of the workmen employed, that the whole will be completed before the winter sets in."

Friends of New Jersey were pleased to believe "that this hitherto oppressed state may yet rise to importance, and shine with splendour in the new constellation."[5] The most sanguine hopes are held out in real estate advertisements: one, dated September 25, points out that

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[1] *Minutes*, 56–57, and see *infra*, 458–459.

[2] *Dreer Collection*, *M. O. C. Papers*, ii, 58, and *American Statesmen*, vol. ii; see *infra*, 465, 471, 484.

[3] *Minutes*, 56–68.

[4] *National Gazette*, September 5.

[5] *N. J. Journal*, August 22.

> "by a moderate calculation, twenty thousand persons will be employed in the manufactory at the town of Paterson; and it may also reasonably be expected that many thousand persons will, contemplating the rising importance of that town, settle in and near the same . . ."[1]

Thanks, therefore, to the "indefatigable assiduity" of the Secretary of the Treasury and the steady attention of a few of the directors, the Society seemed again on the high road to success. Simultaneously, however, with its rapid recovery from the effects of the New York disasters, there had developed a violently hostile public opinion, which was due in very large measure to that which had been the major factor in the recovery — the intervention of the powerful but distrusted cabinet officer. The newspapers of 1792 interestingly reveal the scope and vehemence of the attacks which the new enterprise sustained, and their connection with the party warfare which was just now reaching an unprecedented height.

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[1] *N. J. Journal*, September 26, October 3; cf. also *ibid.*, December 12. The writer may have been influenced by a report in the same gazette for March 28, 1792, which reported under date of London, January 28: "Mr. Peele employs, in connection with his partners, at his manufactory at Manchester, from 19 to 20,000 work people. Messrs. Philips and Co. employ from 12 to 15,000 people. Sir Richard Arkwright, from 8 to 9,000 in his cotton manufactories. Mr. Wedgwood, in his potteries, about 20,000."

CHAPTER V

CROSS-CURRENTS OF POPULAR OPINION

FROM August, 1791, to September, 1792, the S. U. M. was much in the public eye. This was partly the inevitable consequence of the scale of the undertaking, the novelty and comprehensiveness of its plans, and the prominence of its leaders. Even more it was due, however, to the consistent policy of publicity which was followed even in the dark days after the panic, and which sought to keep the public well informed of the plans, activities, condition, and prospects of the company. The widespread publication of the roseate prospectus marked the beginning of this. Thereafter large sums were paid for advertising in the newspapers of New York, New Jersey, and Philadelphia; not only the necessary appeals for bids and notices of meetings and of payments on shares, but also reports and resolutions were set forth at length and published a number of times in a number of journals. Press notices, likewise widely disseminated, were frequent, and some of these, as well as occasional published letters relating to the undertaking, bear the marks of special compilation with a view to arousing public interest and support.[1] This again attests the influence of Alexander Hamilton, an author of *The Federalist* and a constant "inspirer" and contributor of press material.

Whether or not as a result of this policy, the general sentiment toward the enterprise was, during most of this period, predominantly favorable — in the earlier days almost entirely so. Throughout 1791 practically the only suspicions and objections voiced were those expressed by Jefferson and "Clitus" and reported from Boston by Fisher Ames.[1]

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[1] In his letter of Sept. 17, 1792, referring to the current criticisms of the Society, L'Enfant definitely suggested to Hamilton the use of his pen: "a little account to the publick of the progress made in tow mounth mentioning the origining of the of the [sic] foundation for fifty house[s] which are now about drying — and also the number of Family collecting and workmen coming from the Eastern, would lead to parallen with the wonderfull Increase of and the progress made since one year at the grand city [Washington] which is at this moment [words apparently omitted] may be gratering to some feeling and be of some effect for the grand sale of lots announced for october": *Hamilton Papers*.

In January, 1792, when Hamilton's Report on Manufactures had aroused the opposition of the strict constructionists and the fears of the small "manufacturers" for whose benefit little was proposed, when a renewal of speculative activity stimulated more violent attacks on the funding and bank policies which facilitated such organized speculation, and when the early beginning of the Society's manufacturing operations seemed imminent, came the first outburst of criticism.

Curiously enough, the first guns were fired in the Pennsylvania House of Representatives, where, early in January, the Society figured in a debate on a bill "to prevent the sale of lottery tickets within this commonwealth." [2] The author, one Fisher of Philadelphia, represented it the aim of the bill to check speculation, which he compared with the notorious South Sea Bubble of 1720; but further

> "He adverted to the act lately passed, incorporating a manufacturing company, as an instance of the progress of the spirit, and which he represented as big with evil consequences. By the act, the company are vested with powers little short of legislation, within a district of 6 miles square. The workmen employed by them, were to be exempt from taxes and militia duties, and the property of the company to remain also untaxed. These powers, rights and privileges, given to this company, he said, would be, in their operation, very injurious to this state as well as other states. They would enable the company to work to greater advantage than any private manufacturer in this state — to give higher wages to their journeymen, and thereby draw them from the employ of those for whom they now work; to give most for raw materials, and thereby enhance the price of them to every purchaser; and to undersell their competitors. Besides they had the power to raise annually the sum of 10,000 dollars.[3] This would still more effectually enable them to afford high prices, to the detriment of private manufacturers and artificers."

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[1] See *supra*, 374, 387–389.

[2] The act was passed January 20, and may have had an adverse bearing on the Society's lottery efforts: see *infra*, 477–478.

[3] This was not the form in which the lottery privilege was finally granted; it may have been a form in which it was requested.

Among others William Bingham, one of the city's "big business" men, came to the defence of lotteries, expressed the opinion that the speculative fever would correct itself, and in particular replied to the "arguments against the manufacturing act passed in New Jersey."

> "He thought . . . that from its general aspect, it would be beneficial in its effects. It would tend to establish manufactures amongst us; would draw a useful population from Europe, and render us more independent of foreign nations. The gentleman had endeavored to alarm the fears of the house, by representing the powers given to the institution as enormous. He had represented them enhancing the price of labor and raw materials; underselling their competitors, the private manufacturers; all by being able to throw away 10,000 dollars, which they may annually raise by lotteries, for the purpose of ruining their neighboring artificers. The gentleman should have reflected, that *interest is the mainspring in the dealings of men of business*,[1] and if the Jersey company, could, besides their common profits, lay by 10,000 dollars raised by lottery, they would do it. This bounty was given to aid an infant institution, which needs the assistance of government. In the first attempts of an establishment of this kind, experience was often purchased by losses, and the bounty was intended to make up these losses, and not to ruin their competitors. Perhaps the company, he said, might be obliged for a time to pay the passage of workmen from Europe."

Fisher replied:

> "He was a friend to the encouragement of manufactures; but conceived that such an overgrown company, with so extensive a capital which they were at liberty to employ upon any or every species of manufactures; added to their various other rights, privileges and advantages, would be dangerous in its consequences. He did not imagine that the legislature of New Jersey had contemplated the evils he had suggested, much less that the powers were intended to operate injuriously to the interest of this state. No He thought that they *had been carried forward by the popular cry* . . ." [1]

And "A Farmer," writing in approval of Fisher's bill, added:

> "I commend also the freedom of Mr. Fisher's remarks on the Jersey Project! It is truly a phenomenon, that a free people should so readily plant a Scion of arbitrary power, in a soil still moist with the blood of martyrs to liberty: and that a wise people should think of encouraging manufactures and industry, by *lotteries* and *monopolies*."

A few days later "Caius," in the first of a series of articles contributed to the New York *Daily Advertiser* attacking the federalist system,[1] describes as "Links in the same chain" the "funding project," the "bank scheme,"

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[1] Italics mine.

> "and the last project is that of manufactures, so-called, or in other words, a new system of monopolies; exclusive privileges and charters of incorporation, grounded on the favorite new assembled doctrine of discretion, and the undefined powers of Congress."

The Philadelphia *General Advertiser* printed on January 7 lengthy "strictures" by "An Observer," upon the measure adopted in New Jersey, "which ought to alarm the fears, and excite the attention of every individual concerned in the manufactories of this state, whether of a professional, or merely of a domestic description." The special privileges

> "may with truth be termed so many invidious attacks on the great body of our artificers; . . . so many baits held out to entice away our workmen, and to destroy our establishments by taking away the foundations on which they rest.
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> "Not only the manufacturers, as being immediately interested, are alarmed, but also the friends of equal liberty; . . . they here see all their favorite republican principles violated, that one, in particular no less beautiful in theory, than useful in practice, which teaches us that citizens of a free government ought equally to partake of the advantages that are derived from society, and bear the burthens which it imposes, is violently infringed by many clauses in the law. Corporations with exclusive privileges, have ever been deprecated as evils by the friends of equal liberty. Attempting to increase them in England, was one of the causes of that civil war, which brought Charles Ist. to the scaffold; and in more modern times, it claims a share in producing an event still more important. I allude to the French revolution. The attempt to establish the East-India company in that country, and the firm stand made by the parliament against the measure, created such a spirit of enquiry among the people, and such a ferment among the mercantile part in particular, as served among other causes shortly after, to hurl Lewis the XVIth from the throne of his ancestors, . . .
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> "If corporations with exclusive privileges, for particular objects, have created so much jealousy and fear in other countries, how much ought this to excite the same passions in this country, which seems to embrace every object, for whether we consider the large capital, the extensive nature, or the important privileges, annexed to this institution, the mind is equally lost in astonishment, and is rather inclined to view it as a production of the dark ages preceding the sixteenth century than of the present enlightened age.
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> "If it has been imputed to others as criminal to incorporate a company of merchants, engaged in a particular trade, or a company of manufacturers engaged in the fabrication of particular goods, or a company of gamblers to fleece the people by lotteries, what must we think of this institution who have

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[1] Jan. 11, 1792. Cf. also issues of January 21 and February 1, 4.

united all these political crimes in one act. Or rather in what light ought we to view the institution itself, in which is involved all the evils of every other institution of a similar nature; All manufacturers ought to view it as a birth of a political monster which if suffered to grow up will destroy their dearest interests.

"If it be asked what could be the cause of such an institution, the answer is ready, avarice. A system of finance has issued from the treasury of the United States, and has given rise to a scene of speculation, which like subtle poison has infused itself into the body politic, and bids fair to corrupt the great minds of the people, hence has arisen a variety of corporations all calculated to excite the spirit of speculation, and sap the foundation of industry. From these laws the discerning may discover great danger to the republican principles which ought to be dear to every American."

Two weeks later an even longer note of warning came from "Anti-Monopolist," "a friend to private Manufacturers."[1] This consisted of "strictures" on

"the present prevailing propensity for corporations and exclusive privileges, a system of politics well calculated to aggrandize and increase the influence of the few at the expense of the many. Wealthy speculators of all denominations are incorporated and vested with exclusive privileges, partial laws are made in their favor, the benefit of which others do not enjoy; and they are exempted from the common burthens imposed on the rest of society. This propensity for corporations is very dangerous to the liberties of a people; it raises up various bodies of men of the most influential description in the community, and separates them from the mass of the people; at the same time by distinguishing them with peculiar marks of favor, it attaches them to the ruling powers by the common ties of gratitude and self-interest, and therefore gives an additional, or rather an artificial weight to government which our Constitution does not warrant. But the subject becomes still the more alarming, if we recollect that these corporations are looked on by those who frame them as sacred and irrevocable;[2] for in the course of time if this notion continues, and new corporations succeed each other, as they have lately done, we shall inevitably have all our wealthy citizens, whether they be engaged as merchants, manufacturers or speculators, formed into corporate bodies, to aggrandize themselves, and increase the influence of government. Who will be so many political clubs, having separate interests from the people, and who will be the more dangerous, because they will be fortified with exclusive privileges, and strengthened by anti-republican combinations. This description of people, in every country, have invariably supported the abuses of government; as that is the guilty tenure by which they hold their exclusive privileges, and the dependence on which they rely, to increase their ill-gotten wealth. In short, they have ever been, and probably ever will be, as long as avarice and ambition are predominant passions in the human breast, the tools of government and the chief supporters of despotic power — for they are separated from the body of the people, and are interested in perpetuating abuses, because they exist by imposing burthens on the people and flourish in proportion as they are increased."

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[1] *General Advertiser*, Jan. 23, 1792.

[2] Cf. Essay IV, chap. vi.

The "Jersey Manufacturing Company" is represented as

> "an institution so opposed to the principles of a republican government that it could never have taken place in the free states of America, especially in a part yet moist with the blood of its citizens, shed in defence of liberty, from any other motive than the avarice of speculation, and the ambition of our political leaders, who encourage and heap advantages on them, merely to use them in future as their tools, to encroach still farther on the equal rights of the people. This is no exaggeration, but the just conclusion, which a bare mention of the leading features of this institution will well warrant."

After making such mention, the critic adds further:

> "But this is not all, it is currently reported that the Secretary of the Treasury is the patron of this Institution and that his ministerial influence is to be exerted, to obtain from the general government, still more advantages, and exclusive privileges, for this select body of citizens, that they are to be incorporated, and this and all that is theirs, are also to be exempted from the common burthens imposed by the general government. Before this can take place, it would be well for the private manufacturers, especially in this city and its vicinity, who do not expect to dwell within this happy circle, to take the alarm, and consider what will become of their various trades; when their workmen are tempted from their services, by the advantages held out to them, by this enormous political, speculating, manufacturing scheme; It would be well for our manufacturers of leather, paper, hats, shoes, carriages, in short every article that can be named, so large is the capital, and so extensive are the objects of this institution, to take the alarm, and use their influence, [words omitted] which are approaching them from this quarter."

This and more in the same vein was "Anti-Monopolist's" complaint.[1]

To all these assaults, couched in the insinuating and vituperative language characteristic of the day, the friends of the enterprise, secure for the time in the possession of the public favor, thought it hardly worth while to make public reply. This argument *ad hominem*, however, was communicated to the putative administration organ, the *Gazette of the United States*.[2]

> "There always has been a party in this country, whose interests they conceive would be essentially injured by the establishment of Manufac-

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[1] Cf. also "A Republican," in *American Daily Advertiser*, Feb. 4, 1792.

[2] January 14; copied in the *General Advertiser*, which had been hospitable to the criticisms, January 16. Cf. also *ibid.*, January 19, for a paragraph discussing the desirability of manufactures in the United States.

> tures amongst us — and every proposition that has ever been made since the peace, that embrased this object upon any plan that appeared feasible, has met with opposition; and unfortunately for our country, this opposition has hitherto been successful. It is therefore natural to expect, in future, that the same or similar exertions will be made to defeat those extensive designs which are now on foot, to render the United States more truly and substantially independent, by establishing Manufactures on a competent scale. — But the people so fully realize their true interest in this important business, that there is the strongest reason to hope, that the influence of foreign connections, either of a political or commercial complexion, will never be permitted again to disappoint our expectations, or blast our prospects."

The disasters which March and April brought to so many of the leading subscribers and directors inevitably made the Society to some extent a target for shafts of scorn and animosity which were aimed chiefly at individuals; and by the aid of the publicity which these events received, curiously distorted reports of the S. U. M. spread far and wide. Thus "A Mechanic," writing to the Hartford *Connecticut Courant* early in May, asks whether Congress has done anything to benefit Connecticut mechanics and responds to his own query:[1]

> "I am told that they have not, but on the contrary, that they are building large manufactories at the expence of government, which will create an influx of wares to our detriment; *it is in effect, planting a Birmingham and Manchester, amongst us;*[2] and with a new set of workmen under the patronage of Congress, to take the business out of the hands of those already engaged in the arts. . . .
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> "They are establishing monopolies in the manufacturing line by granting to some exclusive privileges, premiums, and exemptions from the common burthen, at the expence of the rest."

And after enumerating the special privileges and taking a fling at the "sharpers, . . . knaves and robbers" so incorporated, he concludes by mildly characterizing the company as "an institution whose partial privileges are almost unparalleled in the histories of the most despotic governments."

The dominant note expressed at this time, however, was one of skepticism — sometimes indeed exultant — regarding the success of the Society, rather than criticism.[3] It was only with the boom in the Society's affairs that followed Hamilton's active interposition in May, June, and July that the hostile movement developed its force. In the middle of June an anonymous writer on manufactures in the *National Gazette* made a covert thrust at Hamilton and the S. U. M. that presaged the more open assault to come.[1] There is no question, he says, as to the advantage of manufactures, but it should be carefully considered how far they should be *forced*,

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[1] May 7. Cf. the anonymous reply in the *General Advertiser*, May 14.

[2] Italics mine.

[3] Cf. *National Gazette*, April 16 (mentioned *supra*, 413), and the reply to the "Mechanic," *Connecticut Courant*, May 14.

> "how far manufacturing establishments ought to be made *political engines*. . . . To a candid mind it would seem that there are some, whose ideas on the subject, generally, do not keep pace with the progress of circumstances, in this country, favorable to manufactures. On the other hand, from the extreme zeal and overdone arguments of the partisans of power, it is too much to be suspected that *something more is in view than the public interest.* — They are not so blind as not to see (though they may think others are) that under the pretence of nurturing manufactures, a new field may be opened for favoritism, influence, and monopolies."

But it was late in August when a veritable storm broke, to rage violently through September; and to appreciate it a word must be said regarding the political atmosphere of this summer of 1792.

The speculative activities of 1791 and 1792, brought to so dramatic a climax in the panic of March and April, 1792, afforded the best possible material for the critics of the funding system and the national bank. The opposition to the excise tax was growing rather than subsiding as the act[2] was put in force. The *National Gazette*, first issued on Oct. 31, 1791, was making the most of its opportunities to put the Secretary of the Treasury and his measures in a bad light before the country. And the continued contact of Hamilton and Jefferson in the cabinet was serving merely to show conclusively the absolute irreconcilability of their natures and opinions. It was at this juncture that the long-smouldering hostility between the two men broke into flame and the lines of the Federalist and Republican parties became sharply defined.

On July 29 the President wrote from Mount Vernon his "Private and Confidential" letter to Hamilton, relating at length the arguments in arraignment of the administration, and in particular the Treasury policies, as they had come to Washington's ears.[1] Four days earlier "T. L." published in the *Gazette of the United States* a query as to the relation between the editor of the *National Gazette* and the Secretary of State, which opened a bitter newspaper controversy carried on in the columns of these gazettes, and widely copied elsewhere, between Hamilton and Jeffersonian lieutenants under assumed names, after the fashion of the day.[2] So violent was the strife that on August 23 and 26 Washington wrote with the utmost earnestness to his warring secretaries, urging mutual forbearance, and to Randolph he voiced his deep anxiety in these emphatic terms:[3]

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[1] June 18.

[2] Passed May 2, 1792.

> "I shall be happy . . . to see a cessation of the abuses of public officers, and of almost every measure of government, with which some of the gazettes are so strongly impregnated; and which cannot fail, if persevered in with the malignancy with which they now teem, of rending the Union asunder. The seeds of discontent, distrust, and irritation, which are so plentifully sown, can scarcely fail to producc this effect, and to mar that prospect of happiness, which perhaps never beamed with more effulgence upon any people under the sun. . . .
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> "In a word, if government and the officers of it are to be the constant theme for newspaper abuse, and this too without condescending to investigate the motives or the facts, it will be impossible, I conceive, for any man living to manage the helm or to keep the machine together."

Meanwhile the opposition to the enforcement of the excise law was reaching a high point. On August 21 protestants met at Pittsburg and resolved on resistance to the collection of the hated tax, and on September 15 the admonitory proclamation of the President was issued.[4] For the moment more serious disturbances were averted, but the war of words was waged none the less bitterly.[5]

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[1] Washington, *Works* (Sparks ed.), x, 249–255. Cf. Jefferson's letter to Washington, May 23, 1792, in *ibid.*, x, 504–509.

[2] See esp. "An American," in *Gazette of the U. S.*, August 4, 11, 18, and contemporary answers in the *National Gazette.* It is pertinent to remark that the "squabble" over Freneau may be traced to a conversation between Hamilton and Elisha Boudinot, probably at or after the July meeting of the S. U. M. Board: cf. Hamilton-Boudinot correspondence, in *Works*, v, 518–522.

[3] Washington, *Works*, x, 278–287; replies in *ibid.*, x, 306–307, 515–526, and in Jefferson, *Works* (Washington ed.), iii, 459–468. For the continuance of hostilities, see reprints in Hamilton, *Works* (Lodge ed.), vi, 327–387.

[4] Washington, *Works*, x, 526–533, 291–293, 295–298, 305–306.

[5] The Whiskey Insurrection arrived only in 1794.

Into the vortex of this political controversy the S. U. M., as a Hamiltonian project, was inevitably drawn, and the Secretary's unconcealed and vigorous support of it in its hour of crisis served to draw upon it the bitter assaults which partisan feeling and personal animosity were directing against him and all his works.

On August 18 the *Independent Gazetteer* of Philadelphia, which a few months earlier had printed a series of "letters to the yeomanry of the united states" fiercely denunciatory of the excise law,[1] published an appeal by "A Mechanic" "To the Mechanics and Manufacturers," which began:

> "You may remember, that during the first session of Congress, while Mr. Duer was assistant Secretary, propositions were made to you from the department, in order to discover the situation and secrets of your various employments, under a pretence that the Secretary of the Treasury wished to bring before Congress some plan for your benefit and encouragement; The information so acquired by the Secretary enabled him to bring forward a lengthy report of manufactures, to be introduced at the National Manufactory: *But will not this scheme ruin you?* This question merits your attention."

He concludes by urging that as meetings had been called to provide the information previously requested, other meetings should now be called to consider whether or not the artisans had been duped, and if need be to form a protective association representative of the various mechanical and manufacturing interests.

"Detector," in the New York *Daily Advertiser*, forthwith challenged these insinuations as insulting and asseverated that the Report on Manufactures related solely to manufactures in general.[2] "Now the truth is," he says,

> "there is not a single proposition, in the whole of the report alluded to, from beginning to end, which has any special reference to the 'National Manufactory,' as it is called; by which it is presumed, is meant the establishment at the Passaick Falls, under a society lately incorporated by an act of the state of New-Jersey."

Now it was becoming politic to emphasize the *local* character of the Society and to repudiate the high-sounding title!

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[1] These were published in pamphlet form March 15, 1792: advertisement in *Independent Gazetteer*, March 17. This series should not be confused with the one mentioned *infra*, 438.

[2] I quote from the copy in the *National Gazette*, September 8.

"A Manufacturer" came promptly to the support of the "Mechanic."[1] As one whom the Secretary had consulted, he asserts that the charges made are strictly true, and adds:

> "That the Secretary and Duer were particularly active in procuring the establishment of the national manufactory in Jersey, many members of that legislature declare, who feel themselves sufficiently mortified for having allowed strangers, to influence their government, to enact a law, which, for injustice to their citizens, is not to be equalled by any on record."

He agrees that organized opposition is called for and remarks that the hatters have already formed a society.[2]

On August 20 George Logan, president of the Germantown society for promoting domestic manufactures,[3] delivered before this organization an address, which was immediately published by order of the society,[4] calling attention to the dangerous scheme of the Secretary of the Treasury to establish national manufactories, which he is at this moment "pressing . . . with unremitted attention," and urging the members to support their rights while they yet have the power.

The reply to this, in the *Gazette of the United States*,[5] reminded readers that practically all its objections had been put forward by "Clitus" "*previous* to the passing of the law." Furthermore, it continues:

> "Let it be remembered that the establishment in New Jersey is a State business — that it is not a *national* institution — and that the citizens of that State are alone accountable for any consequences which may result from it.
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> "It is presumed that the Legislature of New-Jersey knew what they were about when they passed the act of incorporation. Their constituents appear to think that the interest of the State has been consulted — and while the essential and lasting advantage of the people can be more effectually promoted by encouraging monied men to combine their capitals and come forward in undertakings, which, for want of funds, have never yet flourished in this country — the *modest* declarations, and the *charitable* imputations of

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[1] Dated August 29 and published with "Detector" in the *National Gazette*, September 8.

[2] What society is here referred to I have not been able to ascertain.

[3] This was probably the same as the Philadelphia County Society for the Promotion of Agriculture and Domestic Manufactures, formed in 1788, to which farmers alone were (at first) eligible: see *American Museum*, v, 159–163 (February, 1789).

[4] *National Gazette*, August 25; *Gazette of the U. S.*, August 29.

[5] August 29; published with Logan's address.

no disappointed partizan, will, I trust, have the least effect — unless, indeed, the declaimer happens to be a citizen of

NEW-JERSEY."

In the *National Gazette* of September 1, "Brutus" carries forward the attack, in a letter "To the Freemen of Pennsylvania." The question of the day is not, says he, federalism *versus* anti-federalism, but "it is the Treasury of the United States against the people." The public debt is a millstone about the people's neck. The influence of the department is alarming to a degree.

> "To none is the present period of more consequence than the mechanic; already have monopolies been established at his expense, and should the plans of the secretary of the treasury be executed, they will engulph within their destructive bosom every useful art. . . . What will be the fate of any private manufacturer, who shall see a national manufactory rising into existence, whose workmen shall receive the smiles of government, and have exclusive privileges, such as exemption from militia duty &c? Is not this striking at the root of his subsistence? Fellow citizens, beware. . . ."

The most pretentious attack of all was published in Philadelphia on August 21, with the catchy title:

> "*Five Letters addressed to the Yeomanry of the United States: Containing some Observations on the Dangerous Scheme of Governor Duer and Mr. Secretary Hamilton, to establish National Manufactories. By a Farmer.*"[1]

This was probably from the pen of George Logan. Circulated in pamphlet form, and reprinted in the *National Gazette*,[2] the *American Museum*,[3] and elsewhere, the "letters" no doubt had a wide reading.

The "dangerous scheme" is reached with the second letter:

> "The same spirit of arbitrary power, which, during the last year, violated the rights of the great body of yeomanry, by an *excise law*, now proposes to interfere in the *occupations* of the *mechanic* and the *manufacturer*. A government may waste the public money in erecting palaces, statues, &c.; the evil is but temporary: but when it *assumes* principles injurious to the rights of the *people*, and, by arbitrary laws, interferes in the *occupations* of its citizens, liberty is but a name. The theory of such a government is falsehood and mockery — the practice is oppression. . . .

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[1] Advertised in *National Gazette*, August 25 and after. The Library of Congress catalogue attributes it to "Dr. Laughn," but Ford, in his *Bibliotheca Hamiltoniana* (p. 39, No. 50), ascribes it convincingly to Logan.

[2] Extracts in issues of Aug. 29, Sept. 5, 19, 1792.

[3] xii, 159–167, 213–217 (September, October, 1792).

"It may be thought improper, at this early period, to offer any observations on the justice or wisdom of the report of the secretary of the treasury on manufactures. It is true, we might have waited for the deliberations and conclusion of congress on the subject; but congress, having adopted a new method of legislating, by referring the most important business of the country to the different secretaries, and adopting their reports, experience justifies a belief, that the principles of this report will also be adopted, and will come forward under the sanction of the legislature in the form of a law. The secretary of the treasury, and his friends in New-York, have already prepared the way, by procuring one of the most unjust and arbitrary laws to be enacted by the commonwealth of New-Jersey, that ever disgraced the government of a free people. A law granting to a few wealthy men the exclusive jurisdiction of six miles square, and a variety of unconstitutional privileges, highly injurious to the citizens of that state. This law merits your attention, not as a pattern of justice, but to convince you how dangerous it is for a free people to place their whole political safety on the conduct of any set of legislators, when surrounded by artful and designing men. Is it reasonable — is it just, that a numerous class of citizens, whose knowledge in mechanics and manufactures, not less necessary for the support of their families, than useful to their country, should be sacrificed to a wealthy few, who have no other object in view, than to add to their ill-gotten and enormous wealth?

"Such being the nature of this corporation, can it be doubted, whether it violates the spirit of all just laws? Whether it subverts the principles of that equality, of which freemen ought to be so jealous? Whether it establishes a class of citizens with distinct interests from their fellow-citizens? Will it not, by fostering an inequality of fortune, prove the destruction of the equality of rights, and tend strongly to an aristocracy?"

The letter concludes with an argument directed against business and professional associations and corporations. Granting that inequalities arising from personal talent or fortune must exist, he insists that the latter type

"is the great malady of civil society. The accumulation of that power which is conferred by wealth in the hands of the few, is the perpetual source of oppression and neglect of the mass of mankind. The power of the wealthy is farther concentrated by their tendency to *combination*, from which, number, dispersion, indigence, and ignorance, equally preclude the poor. The wealthy are formed into bodies by their professions, their different degrees of opulence, called ranks, their knowledge, and their small numbers: — they necessarily, in all countries, administer government; for they alone have skill and leisure for its functions. Thus circumstanced, nothing can be more evident, than their inevitable preponderance in the political scale. *The preference of partial to general interests, is, however, the greatest of all public evils:* it should, therefore, have been the object of all laws, to repress this malady; but it has been their perpetual tendency to aggravate it. Not content with the inevitable inequality of fortune, they have superadded to it honourary and political distinctions. Not content with the inevitable tendency of the wealthy to combine, they have embodied them in classes. They have fortified their conspiracies against the general interest, which they ought to have resisted, though they could not disarm. Laws, it is said, cannot equalize men, — no — but ought they, for that reason, to aggravate the inequality which they cannot cure? Laws cannot inspire unmixed patriotism: but ought they, for that reason, to foment that *corporation spirit* which is its most fatal enemy? 'All professional combinations,' said mr. Burke, in one of his late speeches in parliament, 'are dangerous in a free state.' Arguing on the same principle, the national assembly of France have proceeded further: they have conceived that 'the laws ought to *create* no inequality or combination, and to offer no assistance to the natural preponderance of partial over general interests.'

"It is not the distinction of titles which constitutes an aristocracy; it is the principle of partial association. The American aristocrats have failed in their attempt to establish titles of distinctions by law; yet the destructive principles of aristocracy are too prevalent amongst us, and ought to be watched with the most jealous eye."

Letters III and IV are *laissez-faire* arguments opposing governmental interference "in the occupations, or in the private actions of citizens," as "not only unjust and impolitic, but . . . highly dangerous to the liberties of the people." Somewhat out of place, in the second letter, the author had quoted Adam Smith's famous statement[1] that

"to prohibit a great people from making all that they can of every part of their own produce, or of employing their stock and industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind."

To support this view the author draws on the experience of Greece and Rome, England and France, and concludes:

"The history of civil society does not furnish a single instance of legislators interfering with, and directing the occupations of citizens, but with injury."

Throughout the series the writer's dislike of England — whose reputed prosperity he regards as merely superficial — and his extreme admiration for contemporary France and her "glorious revolution" are very evident.

"The Americans will adopt the political principles of that enlightened people, and, like them, will consider, that the *prosperity and happiness of citizens, constitute the real strength of nations.* If, under a vague, undefined idea of supporting the general welfare, congress is permitted to enact partial laws in favour of a few wealthy individuals, and to grant them exclusive privi-

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[1] Cited as from "his wealth of nations, vol. ii, p. 86."

> leges in any occupation in which their unbounded avarice may prompt them to engage, such regulations will inevitably destroy the infant manufactures of our country, and will consign the useful and respectable citizens, personally engaged in them, to contempt and ruin. All confidence of procuring an honourable support from any mechanic or manufacturing employ being at an end, no citizen will think of giving seven years of the prime of his life to acquire the knowledge of any profession in which he may be supplanted by a junto of monied men, under the immediate patronage and protection of government. — Whatever may be the plausible pretext of such institutions, they always promote the oppressive and injurious drudgery of the manufacturers, and the indolent luxury of the principals."

Calling contemporary social conditions in England to witness against such a development of manufactures, he continues:

> "The success of American manufactures will not depend on financial calculations, or legislative interference, but on the patronage and encouragement they may receive from patriotic citizens. The secretary of the treasury begins his lengthy and flimsy report, by a vague assertion, that 'the expediency of encouraging manufactures in the united states, *which was, not long since, deemed very questionable*, appears at this time to be very generally admitted.' It is certain, that the powerful and increasing mercantile interest has always suggested doubts respecting the propriety of giving encouragement to American artists and manufacturers. As agents, it is the immediate interest of the merchants, that every raw material, and every manufactured article, should pass through their hands: but no *real citizen* had ever a doubt of the expediency of every independent commonwealth being, as much as possible, supplied within itself, with all things necessary or useful in common life."

But after adverting to the patriotic duty of patronizing domestic manufactures, so far as " is consistent with the real prosperity of the state, as connected with the full employment, the happiness, and independence, of all its citizens," he concludes the letter:

> "We ought not to desire the establishment of any kind of manufacture in our country, which cannot support itself, without government granting to its agents bounties, premiums, and a variety of exclusive privileges, in violation of the rights of the people."

The final letter attacks the suggestion that "restrictive regulations" will create a desirable home market for surplus agricultural produce, needed in view of the embarrassment of external trade. The experience of France under Colbert is cited against this policy, and the colonial experiences of Holland and

Denmark are cited against the "government of an exclusive company." The concluding paragraphs well summarize the writer's arguments and insinuations against the S. U. M.:

> "But, as if the measures of congress were ever to be directed by the momentary fluctuation of affairs, it is proposed, that to afford relief *to the farmer*, recourse should be had to *manufacturing establishments*, under the particular patronage and protection of government; and that congress should grant exclusive privileges, bounties, and premiums, *to a few monied men*, to encourage them to establish extensive manufactories, and to enable them to import from Europe, necessary machines and workmen. Should this scheme take place, under a *false pretext* of serving the *agricultural interest*, a valuable class of citizens, *personally engaged* in useful manufactures, will be sacrificed to the wealthy few.
>
> "While colonies of Great Britain, it was the contracted policy of that court, to prevent the progress of manufactures in this country. . . .
>
> "Had the court of Britain pensioned a number of men in America, to effect the ruin of the infant manufactures of our country, they could not have adopted a scheme better calculated to answer that purpose, than the scheme of Duer and Hamilton to establish *national manufactories*. When Britain had power, she exerted it to restrain the growth of American manufactures. That country may now accomplish by finesse, what she is no longer able to effect by force. The national manufactory, however plausible its declared intention, is fully capable of answering this end. — The immense capital of that corporation will give the company an opportunity of monopolizing many raw materials already procured with difficulty, particularly in the hatting and tanning business. Their workmen, being exempt from taxes, militia duty, and enjoying other privileges, will draw off the journeymen from private manufactures, beneficially scattered through the different parts of the country. The exclusive privilege enjoyed by the company, of establishing lotteries to indemnify them for any losses, will enable them to sell the articles manufactured by them at a less price than any individual citizen, not enjoying such a privilege, can do, without certain ruin to himself. — The unjust and dangerous interference of government, in granting to a company of monied men, privileges, bounties, and favours, not enjoyed by individual citizens, honourably and usefully educated to manufacturing employ, will discourage citizens from acquiring a knowledge in professions or occupations, in which they may be at any time ruined by the arbitrary interference of government. After all, these effects are produced, and they most inevitably will be produced, should the company be successful — the act of incorporation provides for an easy dissolution of the company itself.
>
> "The declared intention of establishing national manufactories, is to carry off the surplus produce of our agriculture. The citizens of the united states, engaged in the cultivation of the ground, comprehend nine-tenths of its inhabitants. This numerous, laborious, and useful class of citizens, have never come forward to government to solicit partial privileges; have never sought to be incorporated as a distinct body; much less do they require a

violation of the rights of a numerous and respectable class of citizens, *personally engaged in manufactures.*

"The yeomanry of America only desire what they have a right to *demand* — a free unrestricted sale for the produce of their own industry; and not to have the sacred rights of mankind violated in their persons, by arbitrary laws, prohibiting them from deriving all the advantages they can from every part of the produce of their farms."

To these arguments and innuendoes replies were soon forthcoming. "Honestus," a Pennsylvanian like the "Farmer," submitted an elaborate defence.[1] He reiterates that the Report on Manufactures dealt with American manufactures in general, large and small, and had no connection with particular projects. He repeats the criticism of the now thoroughly discredited term "national manufactory," saying:

> "It may fairly be asked, how can that be misnamed a national manufactory, wherein Congress have not one dollar of interest, when they have shown no intention or disposition to take an interest in it, when there has been no motion in, no proposition to, no resolution or act of Congress, which has the least relation or reference to it? That institution rests solely upon an act of a state, not of the United States — and one in fifteen of the subdivisions of the union, not of the union itself."

Seeing that banks are established in New York and Philadelphia, and that capital is drawn there by the encouragement of trade, why, he asks, should the citizens of these centres "reprobate" New Jersey's efforts to establish manufacturing societies with even smaller capital? As to special privileges, he makes specific replies. He points out that the exemption from militia duty is of no consequence, since New Jersey has no militia law [2] and since the act confers no exemption from the provisions of the federal law.

> "Neither that society, nor its workmen, nor its property, is to be found in any law of the union, nor have they ever been noticed in any of their proceedings. They have never received any patronage or protection from gov-

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[1] *N. Y. Journal*, Nov. 7, 1792, as republished "by Desire" from the *Pennsylvania Gazette.*

[2] An act was passed, however, Nov. 30, 1792: *Session Laws*, 824. By the supplementary act passed in 1794 the Paterson artisans are specifically exempted: *ibid.*, 908; *Newark Gazette*, Sept. 9, 1795. In 1794, however, a Paterson battalion had been formed: *Newark Gazette*, Oct. 22, 1794. Cf. later acts, in *Session Laws*, 1794, p. 908; 1795, p. 960; 1797, p. 213; 1798, p. 352; 1799, p. 609.

> ernment,[1] but what has applied as strongly and favorably to hatters, tanners and other manufacturers of Pennsylvania, Georgia, New Hampshire, &c. as to the New-Jersey society.
>
> "The ability of the company to monopolize hides, bark, lime, furs, and other raw materials for the hatter and tanner, will appear imaginary, when it is remembered, that a single leathern article (shoes alone) as made in the United States, amount to ten times their capital, and that they are expressly forbidden, by the act of incorporation, to purchase any raw material, but such only as they actually manufacture."

He denies that hands will be attracted from other states to the detriment of their manufacturers. Aside from the significant fact that labor-saving machinery is to be used, he remarks:

> "If you will examine the town of Paterson, you will find, nearly all the workmen from one rival manufacturing country in Europe, and none from Pennsylvania. Besides, if the industrious poor could get better wages, should the friends of equality repine at it? . . . Pennsylvania will lose no manufacturers by the Jersey society, for the reasons already given, nor will the rest of the union, for five hundred men cannot be employed by their capital stock; but surely we ought not to impede the freest migration from state to state, having millions of vacant lands to settle by citizens of New-Jersey, Delaware, Maryland, and New England."

A more elaborate defence appeared in the *Gazette of the United States*, obviously from the pen of one closely connected with the S. U. M.[2] "A Freeman" first meets the "Farmer" on his own ground by introducing additional and somewhat more definite historical and contemporary data to refute the deductions made from foreign experience. Considerable space is devoted to meeting the attack on "the general measures of the government." The second number, however, consists almost solely of an intimate apologetic of the "New-Jersey manufactory." Like "Honestus," our "Freeman" outspokenly denies the insinuation that the national government has had or is likely to have favorable relations with the company, minimizes the advantage of the exemption from militia duty, and ridicules the fear that the Society will monopolize raw materials. In this last connection he is more specific. Adverting to the provision forbidding the trading in materials except those obtained for manufacture, he continues:

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[1] Meaning, of course, the federal government.

[2] September 1, 19, 22. Reprinted in *American Museum*, xii, 167–170, 217–221 (September, October, 1792). The *National Gazette* took the *Gazette of the U. S.* to task for not publishing the "Farmer's" "letters": *Gazette of the U. S.*, September 12.

> "It is known, that they have determined upon those branches which require water spinning machinery, (a case peculiarly happy, as there are not two hundred water spindles in the united states); and the imports of the goods they propose to make, are ten times as great as their whole capital stock, much of which they will invest in buildings, lots, implements, machinery, working carriages, and cattle. It is plain, that bark, lime, and hides for the tanners, could not be supplied to them from any distance, and they could not engross either. In respect to wool and our country furs, the same remarks apply to them; and if they were to purchase foreign furs, they would, no doubt, do it abroad. But they do not appear to have in view anything but the spinning and cotton dying and calico printing business, and are appropriating their funds to those branches."

The importance of the tax exemption is minimized. Poll and occupation taxes are but trivial, and the exemption in any event applies only to taxes laid by the state, which would in any case be small, whereas no exemption is or could be granted from federal taxes, which will be the "principal" ones. Furthermore,

> "The Farmer's suggestion that the company will be enabled, by the temporary advantage of a lottery, to undersell, is not even plausible; for we know, that merchants and manufacturers do not use their occasional advantages for the absurd purpose of underselling their neighbours for a short time, but to increase their own substance and stock; and if they were to sell the cheaper for it, the purchasers and consumers, that is, '*the great body of the yeomanry*,' about whose interest the farmer wishes to appear very anxious, would be benefited by it."

A long paragraph is devoted to meeting the charges of danger from the association of men with a large capital and to the complaint that the law gives to "a few wealthy men the exclusive jurisdiction" of the new town. Like the charges, the reply is significant because it reflects the attitudes which prevailed in these early days toward corporations, particularly for business purposes. Separated into its three natural divisions, the paragraph runs:

> "The company have powers relative to canals and inland navigation, similar to those of the Susquehannah and Schuylkill companies, in Pennsylvania, and the Hudson and Mohawk river companies, in New-York. Corporations for inland navigation exist also in New-England, Maryland, Virginia,

North and South Carolina;[1] though it should seem that 'the Farmer's' objections to this kind of association is such that it is doubtful whether he would consent to a *corporation* for making a turnpike road, or an inland navigation, or a religious society, or a public school. The yeomanry of the united states, however, it is presumed, have no such fanciful objections to these common and necessary means of obtaining such desirable and useful objects.

"We have city, town, and borough corporations in Pennsylvania, and in all the states, with civil powers to preserve the peace and order of the society, and the health of the people, and to facilitate the settlement of accounts and debts in places where there is usually some dealing and trade. Burlington, Amboy, Elizabeth-town, and Brunswic, in New-Jersey, being so incorporated, the legislature of that state appear to have thought it no great favour to provide for the establishment of the district which should become the principal seat of the manufactory in the same manner, but probably deemed it, as it really appears, highly expedient. It seems to be very wise to have a well regulated police, in a place where there will be many strangers. The assembly of New-Jersey have exhibited a cautious delicacy, worthy of the legislators of a free and intelligent people, in expressly providing, that the place or district shall not become incorporated, if a majority of the taxable inhabitants thereof shall signify their dissent from, or disapprobation of the incorporation. — So that if, on mature deliberation, they do not like the powers of the corporation, or if they are, on general principles, against any sort of incorporation,[2] they have ample power to prevent it. This, fellow-citizens, is the law which the Farmer tells you, 'grants to a few wealthy men the exclusive jurisdiction of six miles square, and a variety of unconstitutional privileges.'[3] It is not a few wealthy men, but all the taxable inhabitants, who are to be incorporated; and nearly all of the principal owners of the stock of the company actually reside in other townships, counties, and states, and a few in foreign countries;[4] and not being 'inhabitants' cannot be members of the territorial corporation, which is to possess the civil powers. Besides, it is not really true that they are to have 'exclusive' jurisdiction: for they are as much under the controul of the legislature, the governor, and the judiciary of the state and of the government of the united states, as any other city or corporate town, or any county or village in New-Jersey. It is not necessary to comment upon the indecorum and abuse for art, design, criminality, folly, and breach of duty, which the Farmer bestows upon the government of New-Jersey, the secretary of the treasury, and the company, in the very page wherein he thus mistakes and misrepresents their proceedings.

"He speaks of danger from a capital stock of £140,000 sterling in the hands

[1] See Essay IV, chap. 3, for the development in this field up to 1792.

[2] Such sentiments had been expressed in Philadelphia not many years before: Hazard, *Register of Pa.*, ii, 327–328 (1828).

[3] Below, the writer remarks with insight that the privileges, if unconstitutional, are not dangerous because they are void.

[4] This is one of a very few bits of evidence of the ownership of S. U. M. stock abroad, of which satisfactory confirmation is lacking.

of a great number of persons, when there are and have been these thirty years several individuals in the united states, who are each worth a greater sum.[1] This stock is owned by manufacturers from abroad, who are employed by the company, by farmers, merchants, lawyers, physicians, women, minors, landed men, and monied men, members of the general government, officers of the state of New-Jersey, citizens of various states, and foreigners resident here and in other countries.[2] Can it be expected, that combinations and devices, dangerous to liberty or honest industry, can take place in so mixed a society, or can it be supposed, that such perversions of the countenance of a state will be permitted to exist a single month?"

In another paragraph the writer attempts to persuade the general public of the naturalness and wholesomeness of the establishment, setting forth, probably with accuracy, the situation as it lay in the mind of Hamilton.

"The origin and design of the New-Jersey manufacturing society has been frequently misunderstood and misrepresented. In the year 1791, several months after the government had been transferred from New-York, the secretary of the treasury formed the plan. It was represented, that one of the great objections to manufactures in the united states, was the want of money; and although there was manifestly a greater abundance of active capital in 1791, than for years before, yet there was not prospect of an early application of a sum equal to a moiety of the capital of any one of the first fifty manufacturers and traders in Great Britain, France, Holland, Germany, or Flanders, by any individual. An union of many individuals was the only mode that could be adopted; and as there was supposed to be some risque, it was certainly a prudent method, as each would take care not to subscribe so largely as to hurt himself, if a failure should take place. The subscribers, to avoid risquing more than their subscriptions, were, of course, to apply for an incorporation; and it was not at all probable the sum would have been subscribed without one. The several banks in Philadelphia, New-York, Boston, Baltimore, Providence, &c. had been made up in the same way; and the inland navigation companies and turnpike road companies in the Carolinas, Virginia, Maryland, Pennsylvania, New-York, &c. have been composed in like manner.[3] Moreover, as it was manifest, that active capital was flowing into and arising in the united states very rapidly, there was a sincere and serious apprehension, that evils would arise from it, particularly a profuse consumption, unless objects to employ it were provided; and it appeared therefore a reasonable belief, that the want of capital, after one well-devised and successful plan, would cease to be among the objections to manufactures. It is earnestly wished, that the body of *the ship owners* in the united states may not furnish an instance of an over application of capital, in one of the old modes, which, as it is a cash business, must be accompanied with an actual excess of money. The recent banks, canals, and turnpike roads, demonstrate, that without new objects, large sums of money must have lain unemployed. With the impressions above stated, the plan of the manufacturing company was adopted: and it would be happy for Pennsylvania, if her Farmer would promote the establishment of such an institution on that great interior canal, the river Susquehanna, under the auspices of the state legislature.[1] The yeomanry would find, that the capital and industry of the manufacturing citizens would be wisely directed to a spot, where their cattle, grain, wood, hemp, flax, wool, and iron, would be demanded by consumers, without encountering the costly charge, and in some instances, the insupportable expense of transportation to a sea-port. Several of these institutions would give a front to American manufacturers which is necessary in their competition with foreign commodities. But to return to the New-Jersey manufactory: it appeared prudent to take a position in that state for the purpose of interesting New-York and Philadelphia: and as New-Jersey has very little foreign commerce — it was presumed, that both her legislature and her citizens would promote so valuable a branch of internal trade. The latter have accordingly subscribed handsomely: and the state, knowing that these new enterprises are attended with great expenses at the commencement, with risque, and sometimes with loss, authorised the company to raise by lottery 100,000 dollars, as an indemnification. Their real estate was exempted from state taxes for ten years, and their stock, or personal property, altogether. These taxes, however, as before observed, will be very small under the state laws: and they will be so remote, that the manufacturers in other parts of the union cannot be sensible of their effects."

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[1] This is an interesting testimony relative to the number of millionaires of the day; one would appreciate knowing the list the writer had in mind.

[2] See *supra*, 446, note 4.

[3] In point of fact, only one turnpike road company had yet been incorporated, and that one so recently as April, 1792: see Essay IV, chap. 4.

On November 7 the *National Gazette* gave up its entire front page to a series of elaborate "Extracts from a letter of a gentleman in New Jersey to his correspondent in Philadelphia, dated Sept. 6, 1792." The old arguments are restated with emphasis, and the "most exceptionable" features suffer criticism in even greater detail than ever. The writer expresses surprise that no lawyer has come forward to contest the constitutionality of the charter and to show "the unexampled partiality between their constituents of the same branch of manufactory." He modestly and piously adds:

"Perhaps on my coming short of a just delineation, your more enlightened mind will be stirred up to put this matter in its proper colours, and be the means, in the hands of providence, to quiet the minds of a numerous and worthy class of citizens, which I find are now greatly disturbed at the principles our legislature has adopted in that law."

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[1] See the elaboration of this suggestion in Coxe's *View*, 384–404. It is not improbable that Coxe was the author of this defence.

"A general bankruptcy of the private manufacturers" is prophesied. Sarcastic flings at "the great and most honorable Col. D." and "the beneficent, great, good and right honourable Gov. D." are made a special feature. Particularly inopportune is the exemption from militia duty, inasmuch as

> "those men who saved our country from perdition, were, to my certain knowledge, obliged through dire necessity, to sell their hard earned certificates for 2/6 in the pound to some of these very men who now come forward with this scheme of general oppression."[1]

As to the method of passing the law, he remarks:

> "I believe it is indisputable that this law was fabricated in Philadelphia, and brought up to the Assembly, ready cut and dry'd. . . . I have heard the following question asked more than once: Think you any of the talking or leading members were bribed? Answer, *no*. Were they generally subscribers to the manufacturing scheme: answered, I believe they were."

The tremendous possibilities for evil here latent are expressed in these extravagant terms:

> "These extraordinary privileges granted to them and their workmen will enable them with their large capital to draw in all the journeymen of whatever branch they please to follow, throughout the United States, which will act fully up to a *monopoly*, and will inevitably cause the ruin of thousands of worthy families, which will finally operate against the import duty. [!]
>
> ". . . this town of Paterson may in a short time contain more able bodied, healthy men than the whole state besides."[2]

And as late as November 28 the *New Jersey State Gazette* quoted a New York writer as concluding:

> "From a comprehensive survey of the whole matter, it is inferred, that however patriotic the ostensible and visible parts of this plan may appear, it is a truth but too lamentably probable, that the great, the ultimate end, in originating and patronizing it, so far as official and financial cooperation extends, was to facilitate additional impositions upon our foreign commerce."

Enough has been presented to indicate the extent and virulence of the attack on the company and the grounds upon which both attack and defence were based. Of the merits of the controversy what is to be said?

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[1] Even Elias Boudinot was charged with this: see Cumming-Blanchard correspondence of December, 1792, in *National Gazette*, Jan. 2, 1793.

[2] New Jersey's population in 1790 was 184,000.

One does not need to be an apologist of the S. U. M. to assert that the act of incorporation was both misunderstood and misrepresented. The company had no kind of "legal monopoly." Its "exclusive privileges" were "exclusive" only in the sense that they were not enjoyed by everyone, not in the sense that the Society was guaranteed exclusive possession of them. Its size was enormously magnified. The limitations prescribed with respect to capital and trading were overlooked or unappreciated. The extent of the privileges granted with respect to taxation, militia duty, and lotteries was much exaggerated, nor were such privileges as exceptional as the opponents implied. The provision for incorporation of the town was grossly distorted. The actual or contemplated connection of the institution with the federal government was largely a figment of the imagination. In the perspective of history it is fair to say that the insinuations against Hamilton and his motives in promoting the Society were wholly unwarranted. It is also true that the opposition greatly underestimated the obstacles which the new establishment had to face, obstacles of which more must soon be said, and that the experience of the Society quite justified the design of its founders to buttress it securely against early adverse forces.

On the other hand the attacks were at some points fairly aimed. Hamilton certainly sought and expected a considerable extension of large-scale enterprise in manufactures, which by no means boded only well for the small "manufacturer." There was a connection, in origin at least, between the Report on Manufactures and the New Jersey scheme. It was not highly unreasonable to interpret as referring particularly to such institutions as the S. U. M. such a suggestion in the Report as that the bounties and premiums should be granted only to those undertakings which made a regular business of the manufacture.[1] The promoters had not despaired of aid from the federal government, and there was nothing but popular opinion to stand in the way. Furthermore, it was entirely true that the institution was intended to appeal to the pecuniary interest of the monied men of the community[1] and that these held the great majority of its stock. Finally, the charter was incontestably liberal; and it is not inconceivable that, if the initial difficulties had been overcome as soon and as completely as at times seemed quite possible, the company might have adopted more than one high-handed policy and used its extensive powers at least with disregard of the common weal.

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[1] Cf. Nelson, *Founding of Paterson*, 181; and duties changed upwards in 1792 in answer to his recommendations: table in *Sen. Report No. 12, 48th Cong., 1 Sess.* (1884).

Viewed as a whole, the opposition which the charter and progress of the company excited must be interpreted as something more than a partisan attack on a vulnerable measure of a leading figure of the political party in power. It was an expression of a deep-rooted prejudice against large-scale corporations with wide powers, of which we of the twentieth century are well aware. It was a normal protest — somewhat misinformed and unintelligent, indeed — against what to-day we are prone to call "special privilege," in the interest of the public as a whole. It was a natural outcry — possibly more instinctive than reasoned — arising from a class of small-scale producers against a type of productive organization that threatened their economic existence. And in view of the penetrating fear which Hamilton's remarkable personality and power inspired in those whose allegiance he could not command, the lurking antagonism against England and things English, — for this followed English precedents, — and the normal reaction against conspicuous innovations, one cannot wonder that the published criticisms touched a responsive chord in many hearts.

The precise consequences of the rise of this adverse public sentiment cannot be traced. It probably was no mean factor in preventing the adoption of the suggestions in the Report on Manufactures, and it may have operated to head off movements to incorporate similar societies in other states, such as the one promoted for Connecticut. It may have aided in drying up the sources of funds for the S. U. M. and have been a cause contributing to the insubordination of the company's employees. The only effect of which we have certain evidence, however, was the delay, possibly the prevention, of the incorporation of the town of Paterson.

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[1] Hamilton frankly believed in attaching the monied men to the state by ties of interest: cf. letter to James Duane, Sept. 3, 1780, in *Works*, i, 151, 164.

It may or may not have been true, as stated from a hostile source,[1]

> "that the plan of the society gave general disgust to the domestic manufacturers in New Jersey, and that a great part of the *six miles square* was run out in the night to avoid giving umbrage to farmers in the vicinity."

It is clear, however, that after the directors had advertised the boundaries of the district and their desire that it become a corporation, local opposition developed. Elisha Boudinot wrote Hamilton on September 13:[2]

> "There are great exertions making to get the people to petition against the incorporation; several persons are employed to go about with petitions, and the people are deceived by the most absurd falsehoods. The only mode I thought of to counteract them, was to have counter-petitions drawn, and hire a person calculated for the purpose to go round with them, and I am in hopes it will answer the purpose effectually. We shall obtain numbers who signed the first, to sign ours, declaring they were imposed on."

A letter of L'Enfant to Hamilton, dated September 17, indicates that the "letters to the yeomanry" and "an other production of the same kind" were being circulated, and that a good deal of excited talk was going around.[3] On September 26, as Governor Paterson had to notify the Society, "A Number of the Taxable Inhabitants of the District" formally expressed to the governor their dissent to the incorporation of the district.[4] Whether the dissenters constituted the effective majority required legally to obstruct action we do not know; at all events the directors did not exercise their right to call for an enumeration to decide. There were secured, in November, certain modifications in the Paterson charter which were probably designed to allay apprehensions and meet criticisms.[5] There is authority for the statement that on December 17 Governor Paterson declared the district a corporation.[6] But the legislature did not appoint the officers for which the charter called,[1] and the government was never organized under the act.[2] Thus was frustrated one of the cherished plans of the founders.

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[1] "A correspondent," quoted in *National Gazette*, Oct. 17, 1792.

[2] Hamilton, *Works*, v, 525.

[3] *Hamilton Papers.*

[4] Letter of October 1 to the Society, in *Dreer Collection, M. O. C. Papers.*

[5] *Session Laws*, November 27, pp. 804–805.

[6] *City of Paterson* v. *Society*, 24 N. J. Law 384 (1854). No trace of the proclamation is to be found at the State House.

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[1] See minutes of joint meeting, at which similar officers were appointed for other New Jersey corporate towns: *Council Journal*, annually.

[2] The contrary has often been stated, most notably by Governor Paterson himself, in a footnote which he appended to the reprint of the charter in his edition of New Jersey laws published in 1800: "The inhabitants of the district have been incorporated pursuant to the 26th and 27th section of the act." The statement lends color to the belief that he issued the proclamation, but conclusive evidence that the essential steps were not taken is afforded by the absence from the legislative records of any appointment of officials. The township of Paterson did not become a legal entity until 1831, and then only by virtue of a new act, in *Session Laws*, 47. Cf. Shriner, *Paterson, N. J.*, 3. The city was incorporated only in 1851: *Session Laws*, 44.

CHAPTER VI

PROBLEMS OF ORGANIZATION, CONSTRUCTION, AND FINANCE

THE hostility of local residents, the more widespread fear and distrust of the Society, the more insidious skepticism of the pecuniary success of the scheme which these tended to foster — all were undeniably irritating, annoying to its leaders; but they were not necessarily of fundamental or permanent importance. The misapprehensions might easily be allayed; the town might yet be incorporated; the skepticism a year's genuine success would dispel. The principal result of the storm was to put the whole project distinctly on trial. From every viewpoint, therefore, it was most essential to get actual manufacturing operations under way at the earliest possible moment, and by their conduct to remove all basis for doubts, distrust, and antagonism.

The task here involved the erection of the buildings, the completion of the machinery, the utilization of the water power, the organization of the manufacturing business, and the financing of the whole. The problems were partly problems of engineering, mechanical and hydraulic, but they were partly also problems of labor organization and problems of corporate organization and finance. They were not wholly new to this country, but their solution was being attempted in the manufacturing field on a scale here unprecedented, and in none of these lines had any considerable fund of experience yet been accumulated. It was upon this solution that the Society was dependent far more than on the complete recovery from the injuries inflicted by the panic and the outburst of criticism. And as one reviews the corporation's experience it becomes easier to appreciate how Adam Smith could have written, twenty years before, the statement so foreign to our present-day opinions:[1]

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[1] *Wealth of Nations*, bk. v, chap. 1, part iii, art. i.

"The only trades which it seems possible for a joint stock company to carry on successfully, without an exclusive privilege, are those, of which all the operations are capable of being reduced to what is called a routine. . . ."

We shall consider first the problems of corporate and local organization, construction, and finance, and then the industrial policy, operations, and decline, all with reference primarily to the period 1792–96; for in 1796, for reasons that will be abundantly evident, the company discontinued operations and for the time lapsed into dormancy.

The corporate organization provided for by the charter consisted, as we have seen, of a board of thirteen directors, chosen annually by the stockholders, headed by a governor and deputy-governor elected by and from the board, with a duly bonded treasurer or "cashier;" and this board was to meet regularly four times a year and in special meetings when necessary.[1]

Up to 1796 elections were regularly held each October, and in general a fair degree of continuity in the directorate was maintained. In 1792 the retiring list was naturally large: except Walker, who seems to have escaped insolvency, the entire Duer coterie was eliminated, and out with it went three less unstable Jerseymen (Furman, Lowrey, and Neilson), who had probably lost interest or sold out their stock. The five men returned comprised all those who had been active in the service of the Society in the summer of 1792: Mercer, deputy-governor; Walker, treasurer and go-between with Duer, Dewhurst, and Macomb; and Low, Bayard, and Boudinot, who had acted virtually as an executive committee. In this new board Low became governor and Bayard deputy-governor.[2] Walker and Mercer took little further interest in the Society[3] and with Bayard retired at the next election. Accordingly after 1793 Low and Boudinot alone remained of the original directorate, but they served respectively as governor and deputy-governor till 1796, when Boudinot succeeded to the governorship.

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[1] *Supra*, 381–383.

[2] *Minutes*, 72. Cf. also *National Gazette*, Oct. 3, 1792, where Nicholas Cruger, Samuel Ogden, and Josiah Hornblower are suggested in place of Clarkson, Ricketts, and Williamson. Tench Coxe intimated to Hamilton his willingness to serve: undated letter in *Hamilton Papers*, xiii, 138.

[3] Walker is not reported present at any meeting during the year, and Mercer only in September, 1793.

The new members elected in 1796 included two directors of the Bank of the United States other than Low — Herman LeRoy and James Watson, the latter intimately related financially to the wealthy Hartford congressman, Jeremiah Wadsworth;[1] Matthew Clarkson, United States marshal for the New York district and a director of the New York branch of the national bank;[2] Cornelius Ray, treasurer of the New York Chamber of Commerce, soon elected a director of the Bank of New York, and not long after president of the branch, its rival;[3] Matthias Williamson, a young Elizabeth-Town physician;[4] James Parker, long a prominent citizen of Perth Amboy;[5] Abijah Hammond, a wealthy New Yorker;[6] and James Ricketts of New Jersey. Four of these — Watson, Williamson, Hammond, and Ricketts — were annually reëlected until 1796. So also were two of the members newly elected in 1793 — John N. Cumming of Newark and Richard Harrison, the able federal district attorney in New York.[7] Other members, whose names can be seen in the stockholders' list given above, were men of the same general calibre. It is of interest to note that Hamilton was elected for the year 1795–96, after his retirement from the Treasury, but there is no record of his attendance at meetings.[8]

On the whole the ill success of the Society cannot be attributed to the personnel of the directorates, after the first, or to changes in policy resulting from shifting in the membership. But the abilities of the directors were brought to bear only imperfectly on the problems of the Society. Quarterly meetings were indeed held with a fair degree of regularity, but special meetings were rare after the first troublous year. Imperfect means of communication made it impossible, with such long intervals between meetings, for the directors to keep closely in touch with the Society's movements and needs, fiscal or industrial. Consequently their action tended to be spasmodic, and the development and consistent execution of a well-defined policy was out of the question.

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[1] *National Gazette*, Oct. 31, 1791, Jan. 9, 1792; *Wadsworth Papers, passim;* cf. also letter of LeRoy to King, Dec. 20, 1793, in *Life and Correspondence of Rufus King*, i, 508.

[2] *N. Y. Journal*, Aug. 10, 1791; *Gazette of the U. S.*, Jan. 18, 1792; Domett, *Bank of New York*, 77–79. A contemporary of the same name was mayor of Philadelphia.

[3] Domett, *op. cit.*, 118; George Wilson, *Portrait Gallery of the Chamber of Commerce of the State of New York* (New York, 1890), 177–178.

[4] Stephen Wickes, *History of Medicine in New Jersey*, 435–436.

[5] *Brunswick Gazette*, Aug. 7, 1792; R. S. Field, in *N. J. Hist. Soc. Proc.*, 2d Series, i, 109–139 (1869).

[6] Domett, *Bank of New York*, 135; LeRoy's letter mentioned in note 1, *supra.*

[7] Cf. Horace Binney, in *Pa. Mag. of Hist. and Biog.*, xiv, 6 (1890); Washington's diary, in *ibid.*, xx, 46 (1896).

[8] See *N. Y. Journal*, Feb. 20, 1793, for a contemporary instance of directors not stockholders.

Much therefore depended on the corporate officers. Of Duer's reckless and negligent governorship enough has been said, though more details might be added to show his carelessness in minor matters concerning the Society.[1] Mercer's timidity has also been mentioned. Nicholas Low, third chief in command, was apparently an able, cautious, forceful business man, and his devotion to the S. U. M. was above reproach. He retained, however, his other business interests, and without telephone or rapid transit it was obviously difficult for him to direct the Society's affairs from New York City.

In the matter of the treasurership, carelessness was the rule from the beginning. Neither Walker as "Accomptant" nor Hammond, who succeeded him in April, 1793, as "cashier," was required to give security as specified in the charter.[2] When in April, 1794, Hammond was asked to give bond, he refused on the ground that no salary was attached to the office, and Low took over the treasurer's duties.[3] On the latter's retirement in 1796 the treasurer's books, and possibly the funds as well, were left in the hands of George Scriba, deputy-governor, from whom the books were never recovered and the funds only with difficulty.[4]

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[1] Thus he had failed to procure the corporate seal. The by-laws were not properly authenticated and even copies were missing. His contract for the purchase of lands was unknown to the members of the board. He paid for three hundred shares more than his own subscription without any clear indication of those on whose behalf the payments were made. He had very imperfect records of his disbursements on account of the Society.

[2] *Minutes*, 21, 84. On Aug. 21, 1792, James Griffiths, the clerk, was appointed "accomptant," but this seems to have meant no more than bookkeeper at Paterson: *ibid.*, 67.

[3] *Ibid.*, 94.

[4] See *infra*, 509–510, 514–515.

The general books seem always to have been kept at New York.[1]

Standing committees there were none, except in 1793–94, when at the request of the new superintendent a committee of four New Jersey members was constituted to aid him "with their Council and advice in the absence of the Directors in all cases wherein their opinion be requested by him." [2] There is no evidence that this one played an important part. Until February, 1793, therefore, investigations were made and the will expressed by the board was carried out solely by divers special and temporary committees, composed of men busy with outside affairs, or by particular officers or agents, like Duer, Dewhurst, and Hamilton, whose attention was similarly distracted.

Had it been possible to have the construction effected by contract, as the board voted on July 5 with respect to the buildings and "water-works" and as Hamilton urged a little later with respect to the machinery, this looseness of control might have had no injurious consequences; but when it was decided that the corporation should directly perform the entire work of construction this became a serious matter.[3]

L'Enfant's appointment in July, 1792, did not end this unsatisfactory régime. He was merely to act

> "as Agent for superintending the erection of the Works and buildings ordered by the Directors, conforming as to such as shall regard their respective departments to the plans which shall be furnished to him by William Hall, Thomas Marshall and William Pearce within the limitations prescribed by the said Directors;"

and after his plan for the utilization of the water power had received consideration, the board simply ordered the *committee* (Low, Bayard, and Boudinot) to direct the construction of the canal in a manner most conducive to the Society's interest. Associated with L'Enfant, but reporting to and receiving funds from the chairman of this committee, was John N. Cumming, appointed

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[1] Cf. Colt's letter to Hamilton, Feb. 28, 1793, asking him to get from the Bank of the United States the record of payments with the names of the persons paid, "as the orders for drawing out the Monies from the Bank have never been regestered here": *Hamilton Papers*.

[2] Boudinot, Cumming, Ricketts, Williamson: *Minutes*, 92.

[3] *Supra*, 423–425.

> "Agent for procuring such workmen and materials, and at such periods as the said Major L'Enfant shall require; . . . also to procure such materials for Machinery as shall be required in their respective branches by William Hall, Thomas Marshall and William Pearce and to pay the Workmen whom they shall employ in constructing the said Machinery."

The English artisans, while thus held in check by L'Enfant and Cumming, were not made subordinate to either, and, in fact, because of their engagement through Hamilton, they felt themselves more responsible to him than even to the board of directors.[1] Such division of responsibility [2] smacks of the "checks and balances" theory of government then prevalent; but few statesmen would have defended it for a business undertaking.

Several things made worse this inevitably chaotic situation. L'Enfant regarded himself primarily as architect, with duties of supervision rather than of superintendence, and accordingly absented himself from Paterson at pleasure.[3] Cumming, whose salary was only $500, was not expected to give his whole time to the Society, and continued to manage his stage interests. The English artisans were irritated by the checks on their authority and spending powers, and furthermore found L'Enfant difficult to get along with; his very nationality excited their distrust, for, as Hamilton was told,[4] " an *English manufacturer* cannot bring himself to believe that a *French Gentleman* can know anything respecting manufactures."

When the new board of directors met in October, 1792, they recognized the need of filling the office about which Hamilton had rightly been so solicitous. But they merely appointed a committee "to Treat with such Person as they may deem proper to be appointed" and to report at the next meeting![1] Negotiations were entered into with Peter Colt of Hartford, treasurer of the state of Connecticut,[2] but in so leisurely a fashion were they conducted that at the meeting on January 1 it was merely reported that Colt would "meet the board on that subject, the first of February next." The meeting actually took place February 19. By this time the Paterson situation had become almost desperate, and the board not only ratified the contract made by Watson with Colt the day before, engaging him as "Superintendant of the Factory" at a salary of $2500 per annum, but

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[1] *Minutes*, 57, 67; letter of Marshall and Pearce to Hamilton, Oct. 3, 1792, in *Hamilton Papers;* suit of Mort against Hamilton, *Minutes*, 91, 100–101.

[2] Cf. also a vote of Feb. 20, 1793, appointing Hammond and LeRoy "to procure a proper Person to purchase Boards &c. that may be wanted by the Society from the City of New York," and bills rendered in August, 1795, for materials furnished Sutton & Hardy for the Society: *ibid.*, 81, 109.

[3] Letter to Hamilton, Oct. 16, 1793: *Hamilton Papers;* and see *infra*, 466.

[4] Letters of Marshall and Pearce to Hamilton, Oct. 3, 1792, and of Colt to Hamilton, May 7, 1793, in *Hamilton Papers*.

> "ordered that he immediately enter upon the business of his Office, and that he be authorized to act for the Society in the same manner as if the Works were his own property, and that if he should find from examination that any of the Salaries and Wages given by the Society, should be inadequate to the merits of any one employed, that he Report the same to the Board and if any of them appear too high in proportion to the services rendered, that he reduce the same, and discharge every Person whose services are not profitable to the Society; — the Directors placing the fullest confidence in the prudence and Integrity of the Superintendant."[3]

Thus at last this highly important position was filled.

Peter Colt was a native of Lyme, Conn., a Yale graduate of the class of 1764.[4] Before the Revolution he had engaged in trade to the West Indies. During the war he served three years under Jeremiah Wadsworth as deputy commissary-general of purchases for the eastern department, and later as private contractor he supplied the French under Rochambeau. At the close of the war he settled in Hartford as Wadsworth's local agent. In the late eighties he became interested in the Hartford Woolen Manufactory, a Wadsworth enterprise in which another Colt was for a time manager, and in this connection the two Colts wrote letters to the representative of the Treasury Department which came to Hamilton's attention. In 1790 he became treasurer of the state. He was a man in the prime of life, of wide business experience, of unquestioned integrity, and withal not wholly unfamiliar with textile manufacturing problems of the day; and his appointment augured well for the future of the Society.

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[1] *Minutes*, 73.

[2] Cf. the premature announcement in the *National Gazette*, Oct. 17, 1792, at the conclusion of the report of the directors' proceedings: "Mr. Peter Colt, from Connecticut, is appointed superintendent."

[3] *Minutes*, 78–80.

[4] See esp. Dexter, *Yale Biographies*, iii, 65–67. Numerous letters between Colt and Wadsworth are in the *Wadsworth Papers*. The Treasury correspondence is in the *Hamilton Papers*, July–August, 1791.

Seriously handicapped at the start by the deplorable disorganization at Paterson, Colt succeeded eventually in bringing order out of the chaos, but not without difficulty and costly delay. He probably succeeded Cumming at once, amicably; Thomas Marshall he found a satisfactory subordinate; but none of the other chief figures in town at his arrival was he able to reduce to effective harmony with himself.

Joseph Mort was the first to go. On March 27 Colt wrote Hamilton:[1]

> "I have never seen him here; and am afraid he is now in Virginia pursuing Business no ways essential to the Interest or views of this Society — will there be any hazard in discharging him altogether — it is pretty certain he cannot be useful to us this season —"

Hamilton seems to have raised no protest, and the board, giving the need for retrenchment as the excuse, voted to discontinue Mort's salary May 1.[2]

At the same April meeting and on the same grounds the board, on Colt's recommendation, reduced to $888.88 per annum the salary of William Hall, who was virtually idle till the printing business could be commenced.[3] Hall was already disgruntled. Colt wrote Hamilton on May 7 regarding him:[1]

> "I am well aware that many persons, & even some of the Directors, consider him not only as a *bad Man*, but particularly unfriendly to the Interest of the Society. He does not conceal his want of confidence in the plans of the Society, respecting the mode adopted for getting command of the water &c.[4] It is very possible that his supposed disaffection to the Interest of the Society may arrise from imprudent observations respecting this Business, & a deranged State of their Funds. It is very possible he may have calculated on a general Superintendence of the affairs of the Society; and that the ap-

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[1] *Hamilton Papers.*

[2] *Minutes*, 84. Mort protested, through his attorney Aaron Ogden, and on getting no satisfaction he sued Hamilton, whereupon the board substituted the corporation as defendant, but nothing came of the suit. *Ibid.*, 91, 100–101.

[3] *Ibid.*, 83–84. This was a reduction of one-third from his original salary of £300 sterling: see *infra*, 480.

[4] See *infra*, 464–465.

pointment of Majr L'Enfant [& Myself] to construct the Canal & Myself [sic] & other Works has mortified not only him, but Marshall & pearce also."

In response to Hall's protest the board gave him also a complete discharge with salary in full to May 1.[1] Thus departed two men in whom Hamilton had placed great confidence.

A third Colt found not altogether satisfactory. He wrote Hamilton on May 7:[2]

"Pearce is certainly a very ingenious Man, & at present very necessary to the Society but he has substantial failings — He is intemperate; & I fear this evil will grow on him — From his natural temper he is easily lead to hasty and inconsiderate Measures — respecting his workmen &c — & He seems too much prone to new projects."

Nevertheless, on Colt's recommendation, the board at its April meeting raised the salaries of both Pearce and Marshall to $888.88.[3] In October, however, aided and abetted by Hall, Pearce surreptitiously removed from the town "various articles of Machinery belonging to the Society," apparently with a view to private profit from his construction; and in this disgraceful way his connection with the Society closed.[4]

With L'Enfant the breach was even more unpleasant. His services were most needed in connection with the canal or raceway, which presented an engineering problem that the Americans and the English artisans on the ground were presumably unfitted to solve. Yet his appointment gave him charge of the building construction as well, and he was also requested to draw plans for the town. As it turned out, he gave the impression that this last and least essential part of his task interested him most — an impression probably justified, for his late experience at the "Federal City" had revealed him a landscape architect of genius, but none too excellent a practical engineer or superintendent.[5] Dissatisfaction with his progress in the essential lines of work probably hastened the appointment of Colt. But this action necessitated the delimitation of the spheres which the two men should occupy — a problem especially difficult because L'Enfant's original authority had been so comprehensive and because he was at all times indisposed to "play second fiddle" or give up authority to another. With the title of "Superintendant of the Factory" and the brief instructions already noted, Colt was left to find a place for himself in Paterson. At the important April (1793) meeting the need for more definiteness was made apparent, and the board made an effort tactfully to transfer to the new man the bulk of the responsibility in the town. According to the record:[1]

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[1] *Minutes*, 87. Cf. also letters of Duer and Hall to Hamilton, Sept. 7, 1793, urging Hall's claim to compensation for work prior to his formal appointment by the board: *Hamilton Papers*.

[2] *Ibid.*

[3] *Minutes*, 83–84.

[4] The machinery was recovered: *ibid.*, 91–93, 97.

[5] On L'Enfant, see esp. W. B. Bryan, *History of the National Capital*, vol. i.

> "Whereas Mr Colt has been Appointed Superintendant & no particular duty has hitherto been assigned to him; and Whereas it is essential to the Interest of the Society, that the Aquaduct be constructed in the Speediest Manner, possible, consistant with a due regard to Oconomy, Therefore Resolved that Major L'Enfant be requested to confine his attention entirely to the completion of the Aqueduct for the use of the Works, . . . and that the erection of the buildings and other Works devolve on Mr Colt."

But the major protested vigorously against being thus shorn of his duties. Colt wrote Hamilton in his letter of May 7:[2]

> ". . . he wishing to have the compleating his plan of the Town, & stating the impropriety of puting that in any other direction it was agreed to — On further conversation it appeared he considered the *Cotton Mills* as a part of the Canal — at least necessarily connected with it — and shewed the greatest reluctance at having that part of the Business taken out of his Management — after much conversation the Board seemed to acquiese in his having the superintendance of the *Cotton Mill*, —"

this in spite of the vote they had just passed.

Here the matter rested till June, when, for reasons yet to be discussed, a few of the directors summarily suspended L'Enfant and placed Colt in full charge, even of the building of the canal. A little later this action was modified, probably at Hamilton's suggestion, and a letter from L'Enfant to Hamilton of August 21 indicated that the major was then back at work with some measure of authority.[3] But in September, his year's engagement having expired and a new employment having been secured, he accepted an honorable discharge.[4] Thereafter his only connection with the Society was due to a difference in regard to his bill.[1]

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[1] *Minutes*, 83. [2] *Hamilton Papers*. [3] *Ibid.*

[4] *Minutes*, 89–90. Apparently about this time he undertook the building of Robert Morris's palatial mansion in Philadelphia. Cf. Oberholtzer, *Robert Morris*, 317, 331–332, 340, and Bryan, *National Capital*, i, 180–183.

Hampered by these difficulties of organization, lasting more than fifteen months after the precise site for the factories had been chosen, the construction was but slowly accomplished. Here perhaps the largest problem was presented by the utilization of the magnificent but still merely potential water power of the Passaic. Duer had in mind the construction of a canal beginning above the Great Falls and emptying into the river at Vreeland's Point, at the head of navigation some seven miles below the Falls; and the location of the works at some point on the canal or possibly at the lower end, where they would be accessible to New York and Philadelphia by water. From one M. Allon of Newark he obtained an estimate that £2000 would pay for such a canal, and that the expense of rendering the Passaic navigable to the works would be trifling. Marshall criticised this estimate, and when Hamilton, Schuyler, and their party came on the ground on May 29, 1792, it was agreed that this project was too expensive. For the same reason a plan for a canal emptying into the river three miles below the Falls was rejected. By the location of the factories near the Falls the raceway requirements were greatly reduced.[2]

Even so the difficulties were not eliminated. In particular a troublesome gully separated the natural site of the buildings from the junction of the raceway with the river. The committee proposed to carry the water across this gully on the summit of a wall raised to the level of the bed of the river, and for the execution of this plan, adopted by the board on July 5, 1792, $20,000 was appropriated.[3] Hall and Mort criticised this scheme and offered alternative proposals, one involving a cost of £1945, the other a cost of £4070.[4] L'Enfant's expert opinion was read at the special board meeting of August 20.[1] The suggestion for conveying the water across the gully he characterized as "so contrary to the first principal of mecanics to admit of no discussion;" yet he condescended to explain its defects. His own proposal involved a slight change in the course of the canal; the building of a reservoir (100 × 10 feet); carrying the water across the gully by means of

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[1] *Minutes*, 94–105; letter of L'Enfant to Hamilton, Oct. 16, 1793, in *Hamilton Papers;* letter of L'Enfant to Walker, May 29, 1794, in *Emmet Collection* (N. Y. Public Library), No. 11107.

[2] *Minutes*, 42–43, 45–46; letter of Marshall to Hamilton, Oct. 2, 1791, in *Hamilton Papers;* L'Enfant's report referred to below.

[3] *Minutes*, 45–46; *N. J. Journal*, July 11, 1792.

[4] Dated Aug. 4, 1792, addressed to Boudinot, and sent by him to Hamilton: *Hamilton Papers*, xiv, 103–105; letters between Boudinot and Hamilton, August 13, 16, in Hamilton's *Works*, v, 518–520.

> "a proper *Aquaduct* consisting of Pier[s] raised equal distance from each other and connected by arches carried through the whole breadth both of the canal that [and] of the towing Path and Carriage way on each side;"

and the distribution of the water to the several mills by "capital races" of one-third the dimensions of the canal. The whole should be constructed with a view not merely to supplying the cotton mill, but "considering that the Society being to promote the establishment of all kinds of useful manufactures," it was his aim

> "in this first beginning to secure a supply of water sifficient for every purpose, and to do it in a manner as may admit an increase of machinery without occasion for new Canals, the expense and trouble of opening which might become inconvenient besides the hazard of multiplying them, of draining the main Stream of the River. . . ."

The directors were naturally predisposed to look with favor on a proposition from this source, for Hamilton had written them on August 16:[2]

> "As Major L'Enfant may not be well known to all the Directors, I cannot omit the opportunity of saying that from much experience and observation of him, I have a high opinion of the solidity of his talents, and believe him to be in every respect entitled to the confidence of the Direction.
>
> "The interesting problem is yet to be solved — How shall the water be conveyed to the works? On this point I beg leave to say that nothing ought to be risked. Efficacy and solidity ought to outweigh considerations of expence if within any reasonable bounds. I feel persuaded before hand that those attributes will belong to whatever plan Major L'Enfant may propose; and I doubt not it will meet with the attention it shall merit."

Yet the board cautiously refrained from formally adopting the Major's extensive plan and, repealing their vote of July 5 in favor of the earlier one, merely authorized the committee to direct the construction of the canal as they should deem most conducive to the Society's interests.[1] Thereupon the committee authorized L'Enfant to proceed with his plan, with earnest and repeated cautions that he should practise the utmost economy.[2]

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[1] *Minutes*, 59–64.

[2] *Dreer Collection, M. O. C. Papers*, ii, 58.

Work began promptly. On September 17 L'Enfant wrote Hamilton a favorable report of progress:[3] the course of the canal had been cleared of timber and "immense Rock removed;" hands were daily increasing in number; several of the principal streets had been cut through and partially cleared; and the foundations for fifty houses were "about drying." In mid-October three hundred laborers were reported at work, opening "a mountain of free stone" near the building sites.[4] After the coming of winter had put a stop to this work L'Enfant left Paterson, and to the dismay of the committee did not return till March, 1793, when he calmly reported to Hamilton that progress in his absence had been according to his expectations.[5]

With the passage of time and further observation of L'Enfant and his work, Governor Low found himself more and more fearful of indefinite delay and undue expense in the completion of the Major's canal. He was therefore favorably impressed by a proposition from Samuel Ogden to build the canal to Vreeland's Point and purchase there the lands necessary for the buildings, for only £20,000 (presumably local currency). On March 24 he presented it to Boudinot, Colt, and L'Enfant and frankly stated his opinion that it should be substituted for the existing plan. The Major was astounded and irritated beyond measure and gave vent to his indignation in a warm letter to Hamilton. The others were duly impressed. Final decision was left to the meeting of the board, which was postponed to April 16 to secure a full attendance. So imminent, however, was the change of plan that L'Enfant was directed to "adjourn all hands until after the 20th of April." Colt returned to Hartford, L'Enfant went off to Philadelphia, and all but the machine making was stopped. The word was quickly passed as to the momentous importance of the meeting. Hamilton, who had just triumphantly emerged from a very trying congressional investigation, was earnestly urged to attend. Boudinot went so far as to say:

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[1] *Minutes*, 67.

[2] Cf. esp. L'Enfant's letter to Hamilton, September 17: "as I have assured to you in my letter of the 21 — August I shall Economise the time and the means as far as shall appear to me consistant with the importance of the object": *Hamilton Papers*.

[3] *Ibid.*

[4] *National Gazette*, Oct. 17, 1792.

[5] Letter of March 26, 1793, in *Hamilton Papers*.

> ". . . if you do not wish to forsake your child, it is absolutely necessary for you to attend at that time. . . . Do not let these pompous, high-minded, *would-be kings*, though under the false garb of republicans, draw your attention from this great object, but look forward to those tranquil days when this child will be an Hercules, and you settled on the beautiful and peaceful banks of the Passaic, enjoying the fruits of your labor."[1]

The matter was warmly argued at the meeting (which, indeed, Hamilton did not attend), for a high degree of distrust of L'Enfant was excited. It was at length decided, however, "that the Society has proceeded too far in their present plan to receed or adopt any other;" and the most that was done was to endeavor, with the ill success already noted, to arrange matters between L'Enfant and Colt with a view to hastening the completion of the works, and to repeat emphatic cautions to economy.[2]

Operations were therefore recommenced, after a direct delay of at least a month and an even more serious loss of momentum.[3] But despite repeated cautions, L'Enfant continued to give the impression that he cared more for the ornamental than the essential, and on June 8, to his utter amazement, a group of directors notified him that all the operations in which he was concerned should cease, on the ground of "*moral certainty . . . that the funds of the Society are altogether inadequate to the support of the Expense of the plan. . . .*"[4] He departed for Philadelphia in a huff, and Colt was directed to complete the aqueduct after a modified plan. Such was the change in affairs that Low wrote Hamilton on June 27:[5] "Mr. Colt is going on wonderfully well with the new Project of Aqueduct — and I am in Hopes the Thing will at last succeed." On July 16 the board virtually approved the *status quo* and authorized Colt to complete the work "to the best of his judgment."[1] L'Enfant, however, was not immediately dismissed, probably because of Hamilton's interposition. Every effort was made to salve his wounded feelings, and he was even given authority to hire an assistant at the Society's expense. Writing to Hamilton on August 21 to get him to persuade one Roberdeau to accept under him the place of "principal overseer of the hand," L'Enfant assures the Secretary

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[1] Letters of Colt to Low, March 1; Low to Hamilton, March 4; L'Enfant to Hamilton, March 26; Colt to Hamilton, March 27 — all in *Hamilton Papers;* Boudinot to Hamilton, March 26, in Hamilton, *Works*, v, 548; and John Bayard (to his son?), April 8, in *Dreer Collection, Soldiers of the American Revolution*, vol. i.

[2] *Minutes*, 83, 86; letter of Colt to Hamilton, May 7, 1793, in *Hamilton Papers.*

[3] Colt was detained in Hartford by illness in his family.

[4] Letter of L'Enfant to the board, June 15, in *Dreer Collection, Architects and Sculptors.*

[5] *Hamilton Papers.*

> "that your favorit Chield will be carefully nursed and bread up to your satisfaction without involving the Parents in an Extravagant or useless Expence my sole Embition being to deliver it worthy of its father and capable of doing honor to his Country.
>
> ". . . to much engaged to give you such an account as I wish of the progress making in the business I confine assuring you I shall spare no amount to forward it."[2]

Yet it was probably without noticeable disturbance to the local operations that he left town in September.

The canal was gradually completed. A letter from Paterson dated Jan. 16, 1794, states that[3]

> "the part of the rock, designed to take the water from the natural bed of the river, is finished, and the flood gates erected, so as entirely to command the waters of the Passaick, in the summer season, The dam across the gully, below the rock, is also finished; and the canal from thence to the mill is in such a state of forwardness as to justify very sanguine expectations of its being completed in all April; should the spring prove favorable for working abroad."

On March 20 the superintendent advertised[4] for

> "Forty good Laborers . . . to compleat the Canal and Water-Courses for the Cotton Mill at Paterson, where generous wages will be given, and the money paid regularly every week."

Probably during this summer the water power was at last made available.[5] Inasmuch, however, as two supplementary "canals" were constructed in later years,[1] it is evident that L'Enfant's plan to obtain immediate command of the entire water power was abandoned by Colt. Obviously it should not have been attempted.

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[1] *Minutes*, 87.

[2] *Hamilton Papers*.

[3] *Newark Gazette*, Feb. 5, 1794.

[4] *Ibid.*, April, 1794.

[5] The evidence of this is not definite, and it may not have been used till 1795. Cf. *Minutes*, 113 (Aug. 1, 1795). Francis Baily, who visited Paterson in March,

The construction of the buildings was in itself a far less difficult matter, but it was impeded by the same untoward circumstances. According to the plan adopted by the board on July 5, 1792,[2] this part of the plant was to consist of: (1) a cotton mill, 55 × 32, four stories high, "double floored with Inch boards, so as to break the joints of the boards to prevent dust;" (2) a "Printing Shop and Calander House," 78 × 31, three stories high; (3) a "Carding and Ropeing House," for "carrying on the Business of Spining Weft, and Weaving," 64 × 36, two stories high; and (4) fifty houses "for the accommodation of the Workmen to be employed by this Society," 24 × 18, and 12 feet from the lower floor to the "Plate," with cellar and garret. The factories were to be of stone, and the houses of stone and clay unless if made of this material they would cost above thirty per cent more than if made of wood.[3]

By the middle of January, 1794, the cotton mill, enlarged to dimensions of 90 × 40, was up, under cover, and "the inside carpenter work nearly compleated," as well as "the large water wheel," expected to be ready May 1.[4] It was opened with éclat in mid-June. The printing mill was also constructed, though probably of wood instead of stone; it remained to be damaged by the "unparalleled freshet" of August, 1795.[5] In October, 1794, the board voted to abandon further construction of dwelling houses, which had been pushed with less vigor; but six months

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1796, remarked: "The machinery . . . was intended to be turned by water; and for that purpose large sums of money have been expended in endeavoring to work through the rock, in order to bring the water to act on the wheels; but at present it has not succeeded, and for some time back the proceeding has been discontinued": *Journal of a Tour*, 117–119.

[1] See *infra*, 506, 516, and Dickerson, *Lecture on Paterson*, 8, for mention of all three. The first two are described in *Society* v. *Haight*, 1 N. J. Eq. 393–394 (1831).

[2] *Minutes*, 45.

[3] In August, 1792, this was modified so that the houses should be built of wood unless their cost in stone should be less than £65: *ibid.*, 58.

[4] Letter of January 16 above mentioned, in *Newark Gazette*, February 5.

[5] Trumbull, *Industrial Paterson*, 38; *Brunswick Gazette*, Aug. 18, 1795.

later Colt was directed to build three double houses during that summer (1795).[1] In all probably fifteen were erected by the company.[2] The other main buildings projected were never built.

When Colt was appointed, it was voted to erect an "Inn or Hotel," but in the unsettled state of affairs which prevailed it was probably not even begun. In April, 1794, the opening of "John Conran's New Paterson Hotel and Tavern" was announced. Early in July following, "on M^r Geo^e Scriba's offering to build a proper House and accommedations for a Tavern," Colt was authorized to contract for the building of such a house on the Society's land "on such a plan as shall be approved by the Govenor & Superintendent," and an acre of land was voted to the builder, as "conducive to the Interests of the Society to promote valuable Buildings on their ground." The hotel was opened in January, 1796, under the proprietorship of John Edgerly, who was doubtless sadly disappointed in its profitableness.[3]

Besides these, some few buildings of minor importance were erected. An inventory of 1804[4] mentions a grist mill and a saw mill, which were bought from Cornelius Van Winkle in September, 1792,[5] and a few shops and outhouses which the Society doubtless constructed. A church had been contemplated, but was not built.[6] A dwelling house served as a schoolhouse.[7] Altogether the stone cotton mill was by far the most significant item in the company's plant.

Throughout the period in which the determination of the site remained in abeyance, William Pearce had been busy in his Philadelphia "Manufactory" reducing his ingenious ideas to tangible form. Hamilton supplied him liberally with funds, watched him vigilantly, and, for purposes of advertising or encouragement, had his work inspected in June, 1792, by thirteen weavers of Philadelphia and by a more distinguished party reported to consist of

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[1] *Minutes*, 111.

[2] See inventory mentioned *infra*, note 4. In 1803, when the town had not grown appreciably, Morse's *American Gazetteer* reported it to contain about fifty dwelling houses, independent of those appropriated for the machinery; this cannot be accepted as authoritative.

[3] *Minutes*, 80, 102; *Newark Gazette*, April 16–30, 1794, Jan. 27, April 6, 1796. Cf. also notices of a stage to New York: *Newark Gazette*, March 18, 1795, and after.

[4] *Assembly Minutes*, Oct. 27, 1804, pp. 218–220.

[5] *Minutes*, 69–70.

[6] *National Gazette*, Oct. 17, 1792.

[7] *Minutes*, 119.

> "the PRESIDENT of the United States, and his Lady, attended by the Secretary of State, and the Secretary of the Treasury and his Lady."[1]

It was therefore quite a cargo of machinery, in various stages of completion, that was shipped to Acquackanonk Landing in July, 1792, en route for the new seat of operations.[2]

Pearce's machinery was primarily for the earlier stages of the cotton manufacturing process, and at Paterson he and Marshall were associated in completing an equipment consisting of four carding machines, four roving billies, four stubbing machines ("if deemed necessary by Mr. Pearce"), twenty-five spinning jennies, sixty single looms, and auxiliary machinery in proportion.[3] Hamilton's suggestion that the work be done by contract[4] seems not to have been adopted, and the two chief artisans hired subordinate workmen and ordered materials for which the Society paid. Hamilton cautioned the board that a propensity to extravagance would have to be guarded against;[4] hence the payment of the workmen and the procuring of materials desired was put in Cumming's hands, to the disgust of Marshall and Pearce.[5] Hall, meanwhile, was to prepare the equipment for the printing business,[6] and in April, 1793, Parkinson was authorized to construct his pet "Machine or Machines for Spining by Water, Hemp, Flax and Wool."[7]

The materials for the machines, for the most part, could not be secured in the immediate neighborhood. Boards and plank were obtained in New York.[8] The Union Air Furnace and other

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[1] *Gazette of the U. S.*, June 9, 1792.

[2] See letter of Hamilton to Walker, enclosing bill of lading, July 30: *Dreer Collection, Federal Convention*, 30; and *Minutes*, 58, for Colfax & Co. terms for hauling to Paterson. Pearce and his workmen were reported arrived in New York August 1: *Boston Gazette*, Aug. 13, 1792.

[3] *Minutes*, 58.

[4] Letter of Aug. 16, 1792, in *Dreer Collection, M. O. C. Papers*, ii, 58.

[5] Letter of Marshall and Pearce to Hamilton, Oct. 17, 1792, in *Hamilton Papers*.

[6] *Minutes*, 45, 57.

[7] *Ibid.*, 84.

[8] Cumming letter mentioned in note 2, below; also *Minutes*, 81.

New Jersey iron furnaces probably furnished most of the iron necessary.[1] Cumming suggested that a good source of brass would be the old cannon at West Point, but although the suggestion was passed on to Hamilton, it seems to have yielded no results.[2] The unsatisfactory markets for the various materials and the expense of getting them to Paterson undoubtedly added both to the time and to the expense necessary for completing the machines.[3]

Despite all these difficulties, and the disorganization and changes of plan which were characteristic of Paterson in 1792–93, the machinery seems to have been ready for use as soon as the buildings and water power, and part of it, indeed, even before. The complete equipment comprised at least the following, as inventoried in 1804:[4]

14 carding machines, valued at	$2100.
8 drawing and roving machines,	340.
17 frames for spinning,	4000.
6 mules with 882 spindles,	1375.
10 "jennees" with 751 spindles,	550.
2 batting frames with reels,	340.
"The large machinery to drive the whole,"	2500.
weaving, bleaching, and printing apparatus, with looms and warpings,	150.
chemical bleaching apparatus,	60.
2 capares and singing machines,	120.
stoves and boilers,	100.
A total of	$11635.

In addition to this there were doubtless looms constructed, including some of Pearce's pet double looms, for which Thomas Digges had so highly recommended him.[5] In December, 1792, there was also announced from Paterson the invention of a "gimcrack, for extracting the seed of Carolina Cotton from the wool, by which much manual labor is saved." An authoritative statement concerning this machine was given to the press:[1]

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[1] Marshall-Pearce letter of Oct. 3, 1792, in *Hamilton Papers;* and *Minutes*, 50, 201.

[2] Cumming to Low, Aug. 30, 1792, in *Hamilton Papers*.

[3] Cf. letter of L'Enfant to Hamilton, Sept. 17, 1792, in *ibid.* Nelson says that "some of the iron and brass castings were brought from Wilmington, Del.": *Founding of Paterson*, 191. I have no other evidence of this and think it probable that the securing of the *stolen* machinery in Wilmington may have given rise to this tradition. Cf. *supra*, 462.

[4] *Assembly Minutes*, Oct. 27, 1804, pp. 218–220, compiled with the assistance of John Clark, who was said to have aided in the construction.

[5] See *supra*, 399, 401.

> "Various paragraphs having appeared in different papers respecting the invention of a machine at this place, for the purpose of cleaning the cotton of its seed, and as most of these accounts are erroneous, and unauthenticated, we are authorized to inform the public, that a *Ginn* for the above purpose is now completed upon a construction entirely new, and to work by water; one of these engines occupy a space of not more than 12′ x 4, will produce very near 300 lb, of cleaned cotton per day, and requires only the assistance of children. The usual and hitherto great impediments arising from the amazing friction and consequently great wear and tear is so nearly removed in this engine as to be of but very little or no importance. — The machine is divided into separate and distinct movements, any given number of which may be instantly stopped by the attending child, without the least impediment to the remainder. An application is making to the government for a patent, being the production and joint invention of Mr. *William Pearce* and Mr. *Thomas Marshall*, conductors of the spinning and weaving departments belonging to the National Manufactory."

This was great news, for this was nearly a year before Eli Whitney's invention. In February Thomas Jefferson sent for Pearce, probably with a view to issuing the patent, and it was rumored that William Bingham of Philadelphia had offered Pearce the use of a capital of £30,000 in business connected with the gin.[2] It was probably some such temptation which led Hall and Pearce to decamp with the machinery. As it happened, however, the machine came to naught, and even the patent for it was never issued.[3]

Throughout the period of construction the problem of finance was a serious one. The ingenious plan originally devised has been mentioned: to have the subscriptions invested in stock of the United States or the Bank of the United States; to finance both construction and operation by loans on these stocks as collateral, at rates more than covered by the income from the securities; to reserve a considerable part of the authorized capital stock of the company for sale when its marketability was assured. Experience, however, soon disclosed weaknesses in this plan, although, with Hamilton's effective support, it worked better than might have been expected.

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[1] *National Gazette*, December 26: letter dated December 19. Cf. also *N. J. Journal*, December 5.

[2] Letter of Colt to Low, March 1, 1793, in *Hamilton Papers*.

[3] See Whitney-Jefferson correspondence over this in November, 1793, in C. F. Jenkins, *Jefferson's Germantown Letters* . . . (Philadelphia, 1906), 90–91, 111. Cf. also the invention announced in March, 1793, of a horizontal windmill, in *Independent Gazetteer*, March 31, 1793, and *Columbian Centinel*, April 10, 1793. The *N. Y. Magazine* for August, 1794 (v, 522), reports: "They write from the national manufactory at Paterson that their machine for cleaning cotton from seeds is now completed, and answers every expectation."

The subscriptions totalled 6388 shares.[1] On most of these the first instalment (one-fourth) was paid with few delinquencies in January and February, 1792. Since United States stocks ruled at this time higher than their cash equivalents, payments were largely made in cash; $127,185.08 ($19.91 per share) was therefore due. That most of this was received may be inferred from the fact that in April, 1792, "Accomptant" Walker accounted for $118,000;[2] and from the statement made to the stockholders in October, 1792, of a sum received "in full of the first payment, and in part of the second."[3]

The Society was financially injured by the panic in three ways. Through directors who were made bankrupt, as we shall see, it lost large sums. Many of its subscribers were speculators[4] who were hard hit or made more cautious by the disaster and were thus unable or unwilling to risk more for the Society. And the prestige of the Society, whereby it had been able to secure subscribers among less speculative men, was so injured that new contributors were not to be had and some former ones doubtless deserted the ship. Despite, therefore, the leniency of the board in permitting postponements in paying the second instalment,[5] the total received up to October, 1792, amounted to only $160,200.93,[6] which means that the second instalment was paid on only about one-third of the shares.

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[1] *Minutes*, Jan. 18, 1792, p. 10.

[2] *Ibid.*, 27–30.

[3] *Gazette of the U. S.*, Oct. 17, 1792. Hall and Mort were given a year's time to pay for their one hundred and forty shares ($2787.40). It is hardly likely that all the other shares were paid in full of this instalment.

[4] Cf. the statement in Watson's letter to Wadsworth, March 14, 1792, concerning the Connecticut manufacturing scheme, in *Wadsworth Papers*.

[5] *Minutes*, 39–41.

[6] Report to stockholders, in *Gazette of the U. S.*, Oct. 17, 1792.

Up to this time the penalties of forfeiture of shares for non-payment, though established by the board in January, 1792, had not been enforced, partly at least because objection was raised that the board could not enact such a by-law.[1] An act amending the charter in this respect was passed Nov. 27, 1792.[2] Still the board hesitated to use this power freely and went to an extreme of leniency in granting till April 13, 1793, to pay the second instalment, and extending the time of payment for the third to May 13 (from January 13), 1793.[3] By this time stocks had fallen, with the result that Colt reported to Hamilton:[4]

> "We have much to fear from the present State of the funds of the Society. It is probable that the third payment which falls due the 13 Instant [May], will be made wholly in the *funded debt of the United states;* as well as the last, which falls due the 13 July next — & that these payments will be compleated only on *about one half of the orriginal Shares.* Should this prove to be the case, it must add greatly to our present embarrassments; as this debt could not be turned into cash without great loss; and it will be even difficult to obtain Money, on the credit of these Funds, in the different Banks, sufficient for the Expenditures of this summer and fall."

How much was finally received may never be known, for the treasurer's books seem to have disappeared before 1815.[5] Since, however, it appeared in the later days of the Society that twenty-two hundred and sixty-nine shares were outstanding, unforfeited,[6] we may conclude that this number was full-paid, and that the total funds received from shareholders amounted to between $240,000 and $300,000.[7]

Of this sum nearly $50,000 was lost outright through the failures of the spring of 1792. Notwithstanding earnest requests from the board, the solicitations of Hamilton, and his own repeated assurances, Duer never accounted for the $10,000 which he had received for procuring workmen and materials from Europe; and at most only a few undesired workmen arrived to show for his efforts.[1] Duer never regained his footing financially and, except for a brief interval, remained in the Debtors' Prison till his death in May, 1799; the best that the board could do was to withhold the certificates for his shares and for those of some others which he had paid for in his name.[2] The other loss was larger, if less dishonorable. As we have noted, Dewhurst actually sent to his London partner Hill the bills of exchange drawn by Macomb for £10,975 10s. 2d., for the purchase of goods for printing requested by Hall; and when Dewhurst's failure rendered the Society liable to lose this entire sum, certain of the directors quietly sent a fast-sailing pilot boat to reach England before the news of Dewhurst's failure and to get King, the Liverpool agent, to draw on London for the funds while they were yet available.[3] The boat captain was successful,[4] the messenger less so; for the drawee, Phyn, Ellice & Inglis, had not accepted the bills, and neither they nor Hill, who had raised nearly half the sum by pledging the unaccepted bills, were eager to accommodate the Society. In September, 1793, Macomb offered the Society $12,195 for the rights to the bills. This the board accepted, and in November "authorized and requested" Phyn, Ellice & Inglis "to effect the best compromise in their power of the Bills." But the settlement was not thus effected, and a year later William Constable, then in London, was authorized "to make such Settlement on behalf of this Society as he may deem most adviseable." Not till November, 1795, was a full account received and the balance collected.[5] It seems safe to say that the Society lost between $30,000 and $40,000 by this transaction, as well as the use of the balance when funds were most sorely needed.

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[1] *Minutes*, Dec. 10, 1791, p. 7; preamble of supplementary act next noted.

[2] *Session Laws*, 804. Such an objection was later sustained in a New Jersey court: *Bordentown and South Amboy Turnpike Co.* v. *Imlay*, 4 N. J. Law 323–325.

[3] *Minutes*, 74, 78, 81; *Gazette of the U. S.*, March, 1793.

[4] Letter of May 7, 1793, in *Hamilton Papers*. Cf. prices in *Mass. Magazine*, 1793.

[5] See *infra*, 515.

[6] Preamble of act of Feb. 6, 1833: *Session Laws*, 55.

[7] The complainant's bill in *Society* v. *Morris Canal and Banking Co.*, in litigation of 1827–30, stated that the Society went into operation with a capital of about $294,000: 1 N. J. Eq. 158. Craigie's *Ledger A*, 139, shows payments as follows for his twenty shares: Feb. 2, 1792, 159.7.2; Aug. 13, 1792, 161.0.10; May 13, 1793, 161.8.10; July 13, 1793, 160 — a total of 641.16.10, equivalent to $80.23 per share.

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[1] *Minutes*, 25, 27, 35; report to stockholders, October, 1792; Colt's letter to Hamilton, Feb. 28, 1793, in *Hamilton Papers*.

[2] *Minutes*, 38–39, 53. Trumbull (*Industrial Paterson*, 37) erroneously states that $14,500 was lost through Mercer — a misinterpretation of these passages.

[3] *Supra*, 406–408, 415, and references.

[4] *National Gazette*, July 11, 1792.

[5] Letter of Walker to Hamilton, July 12, 1792, in *Hamilton Papers;* report to stockholders, October, 1792; *Minutes*, 89, 93, 105–106, 116.

In accordance with the financial plan, borrowing from the banks was freely resorted to. In the middle of 1792, as we have seen, first $10,000 and then more was borrowed at five per cent at the Bank of New York, with Hamilton's aid.[1] The committee in charge of construction was authorized to raise $70,000 by this means for its purposes. When Hammond was elected cashier in April, 1793, one of the duties of the office was stated as "to borrow upon the Credit of by pledging the Funds of the Society." But the Society never acquired the ability to pay off these loans out of income, and in April, 1793, Hammond was also empowered to sell some of the Society's securities to meet Colt's drafts. In August, 1795, when the wise ones foresaw a fall in stocks, one of the board was directed to sell enough of the deferred stock at 14s. to pay the debts due to the "different Banks;" and it eventually became necessary to accept less than that figure in order to wipe out these obligations.[2]

Not a little reliance had been placed on the lottery privilege as a resource for insuring adequate funds. Strangely enough, the Macomb committee appointed in January, 1792, to execute a plan for raising the $100,000 did not set about this task — probably because they were otherwise too much engaged. In January, 1793, the board appointed Low, Watson, and LeRoy a committee to formulate a plan to present at the next quarterly meeting. In April the outlines of the scheme were approved and a long list of prominent citizens of New York, New Jersey, and Philadelphia appointed "Superintendents," any three of whom (always including the governor of the Society) were empowered to modify the scheme in detail and carry it into execution. The matter hung fire, however, doubtless owing to the unsettled affairs at Paterson, but in November the names of Governor Howell and General Dayton and Dr. Lewis Dunham were added to the list, and at New Year's, 1794, public announcement was widely made.[3]

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[1] *Supra*, 419–421. Domett, *Bank of N. Y.*, 48–49, says that $35.000 was thus borrowed.

[2] *Minutes*, 49, 84, 113, 121.

[3] *Ibid.*, 17, 78, 85, 91; 93. See Appendix B, for Hamilton's views on a lottery, probably elicited in this connection.

In brief the scheme[1] was to sell 38,000 tickets at $7 each ($266,000); to give 14,539 prizes, distributed thus:

1	$20,000	10	$1000	1000	$20
1	10,000	20	500	2000	15
2	5,000	100	100	3000	12
5	2,000	300	50	8100	10

From the prizes fifteen per cent was to be deducted, thus raising $39,900 for the Society. The immediate managers were John N. Cumming of Newark,[2] Jacob R. Hardenbergh of New Brunswick, and Jonathan Rhea of Trenton — all men of state-wide reputation. The "Superintendents" were listed thus:

NEW YORK	PHILADELPHIA	NEW JERSEY
Nicholas Low [2]	Thomas Willing	Richard Howell
Rufus King	Joseph Ball	Elias Boudinot
Herman LeRoy [3]	Matthew McConnell	Gen. Elias Dayton
Cornelius Ray [3]	Andrew Bayard	James Parker [3]
James Watson [2]		John Bayard [3]
Richard Harrison [2]		Dr. Lewis Dunham
Abijah Hammond [2]		Samuel W. Stockton [2]
		Joshua M. Wallace
		Elisha Boudinot [2]
		Joseph Bloomfield

Most of these men were stockholders, and ten were directors or ex-directors of the Society.

Before publishing the plan the board appointed a committee to attend the New York legislature at its next meeting with a petition requesting liberty to sell tickets of the lottery in that state.[4] This was not accomplished. In April, 1794, the board took into consideration

> "the importance of pushing the sale of the Tickets as soon as possible — Resolved that it be recommended to the superintendants of the Lottery to allow one ⅌ Cent to any person who will Undertake the sale of Tickets, the one ⅌ Cent to be allowed on the amount of the sales — and they recommend to the superintendants to send on Tickets to the New England States as far as Boston to be lodged with such Gentlemen in the different Towns whose characters are such as will insure their Integrity and punctuality in the business[5] — and also Resolved that the Governor call a meeting of such of the super-

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[1] *Newark Gazette*, Jan. 1, 1794.

[2] Directors.

[3] Ex-directors.

[4] *Minutes*, 93.

[5] This scheme had been adopted in a recent lottery of the Hartford Woolen Manufacturing Company: *Conn. Courant*, Jan. 3, 1791.

intendants as are at New York, as soon as he shall return, and that these Measures or some other Spirited Ones which they may think more conducive to the good of the Lottery be immediately carried into execution."

In October, however, it was reported by the managers that because of the prohibitory laws no one would undertake the risk of the sale of tickets for the one per cent; accordingly a new scale of rates, on a sliding basis with a maximum of two and one-half per cent, was adopted.[1]

All efforts were fruitless. The drawings, announced "positively" to take place, were repeatedly postponed.[2] At last, in November, 1795, the failure of the scheme was faced, and a new plan for raising only $6667.50 was substituted.[3] The drawings for this too were postponed, but they did actually take place in the summer and fall of 1796.[4] It is gravely to be doubted, however, whether the proceeds covered the expenses which had been entailed.[5]

Of the expenditures we know rather less than of the income, but a few facts may be stated on the authority of the report made to the stockholders in October, 1792,[6] a statement drawn up in April, 1796, and probably then submitted to the company,[7] and various items in the Directors' minutes.

For land a total of $30,597.60 was expended, including therein such buildings as were already erected, notably a saw mill and a grist mill on the Van Winkle property.[8] For the construction of water-works, buildings (including a saw mill probably not erected), machinery, and contingent expenses, $67,150 was appropriated in July, 1792.[9] By October 1 nearly one-third of this had

[1] *Minutes*, 99, 106. Cf. advertisement in *Columbian Centinel* (Boston), June 18, 1794, that tickets were to be had at the post office.

[2] *Newark Gazette*, Aug. 13, Nov. 19, 1794.

[3] *Ibid.*, March 9, 1795; *Minutes*, 116.

[4] See esp. *New Brunswick Guardian*, April 26, June 28, Nov. 1, 1796; *Newark Gazette*, May 4, 1796.

[5] See also *infra*, 516.

[6] *Gazette of the U. S.*, Oct. 17, 1792.

[7] Cited in Vanarsdale's report to the assembly: *Assembly Minutes*, Oct. 31, 1814, pp. 32–34.

[8] *Minutes*, 44, 50, 69–70. The original purchase cost £3293 8s. 3d. (probably "York money," at $2.50 per £); the largest single purchase later was that from Van Winkle, costing $5000.

[9] *Ibid.*, 44–49.

been spent: $720 for "horses, oxen, carts and waggons;" $7500 for "machinery, materials, and implements of manufacturing;" and $12,545.43 for "sundry materials for building, paying salaries, laborers wages . . . , and incidental expenses."[1] Since little more than a beginning had been made in the construction, and since the Society's lands furnished stone, timber, and clay[2] in abundance, expenses were evidently mounting up at an exasperating rate; and one can appreciate the nervous fears of the directors lest, at the very time that the payments on the shares were disappointing expectations, the expenditures should far outrun appropriations.

Typical instances of other expenditures may be mentioned. The pilot boat cost at least $850.[3] L'Enfant's salary was $1500, but he charged for and probably eventually received payment for his carelessly guarded expenses.[4] Colt received $2500 per annum.[5] Mort had £100 and Hall £300 sterling per annum to May 1, 1793,[6] and Marshall had £200 sterling per annum from this date to the cessation of operations.[7] Clerk hire in Paterson cost at least $250 to $300 per annum, and when Low took over the stock transfer office in New York he was allowed $250 for clerical assistance.[8] In July, 1792, $1000 was "advanced" to Hall and Mort on condition that they erect dwelling houses on their lots and repay the loan in four five-year instalments with interest at five per cent.[9] Later advances of thousands of dollars were made to Marshall and other persuasive "artists" who pooled their pretended skill with the Society's certain funds in industrial partnerships whose profits never materialized.[10] In July, 1793, Hamilton was finally reimbursed $1811.10, the balance of $2611.10 which he had advanced in Philadelphia to Pearce and

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[1] *Gazette of the U. S.*, Oct. 17, 1792.

[2] Cf. reference to brick-making, *Newark Gazette*, April 24, 1793.

[3] *Minutes*, 32.

[4] *Ibid.*, 58; letters of L'Enfant to Hamilton, Oct. 16, 1793, in *Hamilton Papers*, and to Walker, May 29, 1794, in *Emmett Collection* (N. Y. Public Library), No. 11107.

[5] *Minutes*, 79.

[6] *Ibid.*, 87, and letter of Colt to Hamilton, March 27, 1793, in *Hamilton Papers*.

[7] *Minutes*, 83, 117.

[8] *Ibid.*, 41, 83, 105, 78.

[9] *Ibid.*, 48.

[10] See *infra*, 485–487, 496–497.

Parkinson.[1] Cumming's expenses for the trip to Wilmington, which resulted in the recovery of the machinery abstracted by Hall and Pearce, amounted to $260.50.[2] Even surveying, advertising, and printing bills were by no means negligible.

The conclusion of the whole matter is that at the end of the first five years of its existence the Society could show, for its subscriptions of $633,800 and its receipts from shareholders of some $250,000, an "active capital" of $19,542 in United States stocks and a trifling cash balance, and a fixed capital of seven hundred and fifty acres of land and a considerable equipment of buildings and machinery for which there was little or no demand from either buyers or tenants.[3]

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[1] Account accompanying Colt's letter to Hamilton, July 18, 1793, in *Hamilton Papers*, xiv, 125–126.

[2] *Minutes*, 97.

[3] Vanarsdale's report, in *Assembly Minutes*, Oct. 31, 1814, p. 32.

CHAPTER VII

Industrial Policies and Operations

Despite the difficulties of perfecting a satisfactory organization, the serious problems of construction, and the ever-present financial straits, the real test of the Society was to be found in its industrial operations. Here indeed success was impeded by delays, inadequacy of funds, and internal dissension, but it was not made impossible. We have, then, to examine the methods and results of the conduct of manufacturing operations, which were begun some time before the practical completion of the plant in midsummer 1794.

The original plan contemplated direct operations by the corporation itself, and the prospectus, as we have noted, mentioned thirteen classes of goods in the manufacture of which there was "a moral certainty of success."[1] For each branch a skilled foreman was to be employed, while over all was to be the non-technical superintendent, who should act also as sales manager. This feature, however, attracted the criticism of the "respectable foreigners" to whom the prospectus was submitted, and their views are well expressed in a letter in the *Hamilton Papers*, probably written to Hamilton by Thomas Marshall. He writes:[2]

> ". . . I had at first with you the idea that an Establishment comprehending a dozen different objects well chosen, conducted by an able direction, enlightened and honest managers and skillful workmen might have the greatest Success, and I think so still; but would not the union of so many qualities, on which the success entirely depends, be an absolute miracle? and would it be prudent to depend upon it? But if one of them is Wanting, you will find bad goods come out of the hands of unskillful workmen; dishonest

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[1] *Supra*, 360.

[2] *Hamilton Papers*, xiii, 133–134. The letter is somewhat mutilated, especially by the tearing off of the lower half of the page. It is undated, but probably belongs to August, 1791.

> managers make a fraudulent advantage at the expense of their employers, which in such a multitude of details will escape the eye of the directors; and directors who for want of particular knowledge of each of the different branches [will] conduct well that with which they are best acquainted, and be continually exposed to be deceived in all the others. The more I think on this affair, the more I am persuaded that there is a great risk in pursuing it in the manner in which it is proposed, and its advantageous execution must depend on fortune, more than on reason. I have seen in Europe individual manufacturers employ two or three hundred hands, but in the same branch, and the undertakers had occasion only to be acquainted with that branch; besides they were employed for their own profit, and not as hirelings, and after all were often cheated in the details. In the establishment proposed we must in the first place [have] as many faithful and enlightened directors as there are different branches: then a number of managers each capable of following the branch entrusted to him with the eye of a real and intelligent manufacturer, without which it will be necessary to depend absolutely on the head-workmen, who, even if they should be all honest, can never be stimulated by that interest which animates those who work for themselves. The expense of Such an establishment is immense in buildings, machines, looms, the purchase of raw-materials of so many kinds, the wages of workmen, salaries of managers, Directors, &c. these articles alone, without counting the purchase of lands and unforeseen expenses, will demand an immense capital if they are calculated in a reasonable measure, and present in their details a multitude of means of less [loss] to the Corporation. I repeat it, Sir, unless God should send us saints for workmen and angels to conduct them, there is the greatest reason to fear for the success of the plan.
>
> "I am far from thinking, however, that there are not other means to accomplish the object in your view which, if I understand it right, is 1rst to encourage and protect the establishment of the manufactures necessary for this country — 2dly To take advantage of the crisis in which affairs now are in several country of Europe, to Engage as many manufacturers in as many branches as possible to Emigrate to this country. It seems to me that these objects may be equally accomplished by the corporation undertaking three or four of the principal branches, and which I should Chuse connected together that the Details may be more easy to follow. 3dly by becoming partners in the other branches with undertakers of known abilities and chara[cter] on the terms that may be thought proper.
>
> "A General spinning house, and the employment of its prod[uce] are in my opinion worthy of preference. The extent to which it may be carried is sufficiently great while their connection makes the Business easy to be followed. these two articles require oth[ers] as accessary, viz. the dying of cotton, Wool, &c. before they are manufactured. I am perfectly convinsed that it would be much [more] easy to manage well 600 hands in such a manufacture, tha[n] 200 divided among different branches which have no depend[ence] on each other."

Hamilton recognized the weight of the criticism of multiplicity of operations. He engaged artisans only for the making and printing of cotton goods; these objects alone he mentioned in connection with the Society in his Report on Manufactures; when, in April, 1792, the directors sought his advice, he counselled against undertaking other branches; and when, in August, 1792, he communicated to the board Duer's engagement with manufacturers of brass and iron wire, he went no farther than to say:[1]

> "In general the multiplication of the objects of the Society will be inexpedient. But there may be circumstances of sufficient force to induce in special cases a departure."

In the main the board turned deaf ears to new proposals for operation solely by the Society, but a few exceptions were made. In April, 1793, despite the unsettled state of affairs, the superintendent was authorized "to establish the Manufactory of Chip Hats"[2] and to employ George Parkinson to set up his water-power machines for spinning hemp, flax, and wool.[3] A year later[4]

> "The Society taking into consideration the importance of raising White Mulberry Trees for the culture of silk worms. — Resolved that the Superintendant be directed to purchase a number of Trees and plant them on the Lands of the Society whenever he may think the same can be done with propriety."

And the silk manufacture, now so important in Paterson, was probably contemplated at this early date.

For the most part, however, the Society extended its sphere of operations by establishing relations with independent manufacturers in other branches. Hamilton's correspondent had written further concerning this alternative:

> "As to the proposal I make of engaging a [the] corporation as pa[rtner] with private manufacturers it is not a new idea. I have seen in France the government concerned in many private undertakings in which they ap-

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[1] *Supra*, 362, 414, 445, and letter of Aug. 16, 1792, in *Dreer Collection, American Statesmen*, vol. ii.

[2] *Minutes*, 84; and cf. *ibid.*, 77, for mention of a communication relative to this business, from William Wadsworth and James Roney, received Jan. 1, 1793.

[3] *Ibid.*, 84. Hamilton had not engaged him for this.

[4] *Ibid.*, 99. This was probably at Colt's suggestion, for Connecticut had long fostered silk growing and manufacture, not without success: see *Session Laws*, 1784, pp. 232–233, May, 1794, pp. 282–283; *Gazette of the U. S.*, May 11, 1791; and Essay IV, chap. 5.

> pointed a commissary to take care of their interests. This was one of the means of encouraging and protecting manufactures. Here it has another advantage, that of procuring able Workmen from Europe. The corporation might engage in such undertakings in several ways; either by advancing the necessary capital to individuals; by building and renting to them the necessary works; or by taking upon themselves the expences of first establishment, always in proportion to the solidity and talents of the undertakers."

A few of these arrangements may be mentioned as typical. They were probably of equal importance, both in the conduct of operations and in the causes of failure, with the direct operations of the Society.

When the second board of directors first met in October, 1792, there was exhibited "A Letter from John Campbell of Philadelphia, proposing the establishment of a Stocking Manufactory," with estimates of the expense of procuring workmen and machinery from "Britain" (£233 6s. 8d.), a year's working capital (£532), and a year's net profits (£327 4s. 8d.). Officially no action was taken, but four weeks later Hamilton signed with Campbell a contract on behalf of Low and Hammond, two of the principal directors of the S. U. M. who were doubtless acting for it. Campbell agreed to purchase in Scotland and import via the ship *Glasgow* eight stocking frames, one finishing press, and tools for four workmen making frames; and to engage eight stocking frame knitters, three "frame smiths," and one "upsetter," if possible under contract to serve three years at wages not exceeding ten per cent above prevailing wages, passage money paid. Low and Hammond agreed to reimburse Campbell for expenses incident to this difficult business, to an amount not exceeding £800 "current money of Pennsylvania." Apparently they were also to advance funds and facilities for operations, while Campbell was to superintend the manufacture for seven years for one-third of the net profits.[1]

In the winter of 1793–94 the Society entered directly into an agreement with one John Eddy to advance funds and provide accommodations for dyeing and bleaching, and to respect certain conditions in its direct relations with dyers and bleachers, while Eddy was put under obligations to repay the advances and presumably also to divide his profits.[1]

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[1] *Minutes*, 73; *Hamilton Papers*, November, 1792. The agreement is dated November 9 and another instrument November 5. In this connection see the letter of "A Hosier," dated Glasgow, July 6, 1790, in *ibid*.

In April, 1794, a "copartnership" was entered into between Thomas Marshall, superintendent of the cotton mill, and Governor Low in trust for the Society, for undertaking "a Certain Business in the Cotton Line" which Marshall claimed to have discovered, the secret of which he wished not to be divulged. Here the Society was to advance the capital, reserving an option to withdraw after the application of £450; undoubtedly it was to receive a share of the profits.[2] This partnership was dissolved in the October following, but Colt then, on behalf of the Society, entered into a new contract with Marshall,[3]

> "to carry on his projected Business of Ginning Cotton Spinning Candlewick & occasionally weaving as circumstances may render such a measure adviseable on a Capital of Five Thousand Dollars to be advanced by the Society on such enstalments as the progressive state of the Factory may render necessary, to be employed on the joint account of the Society & himself each one Moiety . . . The sum already advanced said Marshall to be considered as a part of said Five Thousand Dollars."

After William Hall's discharge some loose arrangement was made with Edward Harper & Co., a firm of calico printers. In April, 1794, Colt was authorized to draw $1000 to be applied to this enterprise and was directed to make "such new arrangements as to ensure the Society a due proportion of the profits of the business."[4] This was discontinued in October, but in January, 1795, the Society entered into a partnership with H. W. Harper, a clerk in its employ, upon his representation of his "perfect knowledge of the Business of Callico Printing," "the weaving of muslins," "& the great profits that would result therefrom." Here the Society was concerned one-half, and Colt and Harper the other half, in the provision of the necessary capital, "the impliments belonging to that branch of Business & now in hand to be taken as part of the Stock to be advanced by the Society."[5]

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[1] The agreement is not preserved, but see *Minutes*, 95–96, 101.

[2] *Ibid.*, 98, 105. One William Monk was associated with Marshall in this.

[3] *Ibid.*, 105, 107.

[4] *Ibid.*, 98–99, 106.

[5] *Ibid.*, 105, 108, 112, 121. Cf. the employment of one M. Tesserandot in

A few instances of "encouragement" other than by partnership occurred. In April, 1794, when John Richardson applied for accommodation "with a Building & Looms &c. for carrying on the weaving of Cotton," the superintendent was authorized to enter into such contract with Richardson as he might deem for the advantage of the Society, "prefering the selling of the Machinery to the renting thereof."[1] In July following, a favorable attitude was taken on a petition of Crosbie & Joyce that the Society "advance" $200 to bring water to a building occupied by them, final decision being left to Colt.[2] And in April, 1795, on application of McIlwain and John Clark, machine makers, the board directed the erection of a mill and house for the machine manufacture, and the lease of this for five years at not over ten per cent of the cost of building and value of lot.[3]

Other applications to Hamilton or the board of directors which were less favorably considered had to do with the manufacture of "Paper, Cards, &c.,"[4] duck weaving,[5] tobacco manufacture,[6] a "type foundary,"[7] and a distillery.[8]

Before considering the outcome of these ventures, direct and indirect, something may well be said of certain operating policies and practices of which evidence remains.

The plan to import workmen from Europe was prominent in the minds of the founders,[9] and several efforts, most of which have been mentioned incidentally, were made to carry it out. In January, 1792, Duer was authorized, in consultation with Hamilton, to secure from abroad forty or fifty hands "skilled in the cotton and printing branches."[10] In his letter to the board of April, 1792, Hamilton urged securing "a few essential

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April, 1795, at a salary of $625 per annum, to try out his scheme of bleaching cloths for printing: *Minutes*, 110, 112.

[1] *Ibid.*, 97, 99.

[2] *Ibid.*, 100.

[3] *Ibid.*, 111. In Vanarsdale's report Clark is referred to as one who made most of the Society's machinery. See also Walton, *Story of Textiles*, 179, and *supra*, 472.

[4] *Minutes*, 9, 15; from Burrel & Edward Carnes, a Philadelphia firm. Cf. also *Federal Gazette*, July 8, 1790, April 12, 1791.

[5] *Minutes*, 97.

[6] *Ibid.*, 9, 12, 23 (Thomas Hankart).

[7] Letter of E. F. Guyer to Hamilton, December, 1792, in *Hamilton Papers*.

[8] *Minutes*, 84 (Matthias Halstead).

[9] *Supra*, 358, 399–400, 406.

[10] *Minutes*, 13–15.

workmen."[1] In October, at the first meeting of the second board, William Hall was requested to take steps

> "to procure from Europe for the Printing department, one Drawer, two Cutters, four Printers, two Primers, two Pencillors, one Dyer, one Field man, one Engraver, one Copper-plate Printer,"

the Society agreeing to ratify contracts made with them.[2] Duer privately took steps to secure from Lyons a few workmen for a wire department,[3] and the Society supported Campbell's move to import hosiers from Scotland.[4]

Such action was of course contrary to English law[5] and to the interests of a powerful class in England — the capitalist manufacturers. Their attitude is implied, and a hint given of this phase of the activity of perhaps the S. U. M., in an item which appeared in a London paper early in 1794:[6]

> "By accounts from Manchester we are informed, that near two hundred young men (manufacturers) have lately been seduced to leave that place with a view to embark for America, by way of Ireland. We hope the laws will be put in force to prevent these emigrations, which are intended, it is supposed, to promote the cotton manufactory lately begun near New-York."

Whether or not because of these conditions the results of the Society's efforts in this direction were but meagre. Duer's man brought from France one or two wire manufacturers. Campbell's few artisans were almost certainly among the "artists & manufacturers" who arrived from Greenock, Scotland, on the ship *Glasgow* in the spring of 1793 and "engaged with the directors of the national manufactory at the town of Paterson."[7] But there is no evidence that Hall secured any men abroad, and Mort, whom Hamilton employed with a view to importing workmen,[8] seems never to have left these shores.

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[1] *Supra*, 414.

[2] *Minutes*, 76.

[3] Hamilton's letter to the board, Aug. 16, 1792, in *Dreer Collection, American Statesmen*, vol. ii; *National Gazette*, Jan. 30, 1792; *supra*, 360, 407.

[4] *Supra*, 485.

[5] Act of 23 Geo. II, c. 13 (1750). Cf. contemporary reports in letters of Thomas Digges to Jefferson, May 5, 1788 (*Jefferson Papers*, Series 2, xxiv, 51); Samuel Paterson to Hamilton, Feb. 10, 1791 (*Hamilton Papers*); *Newark Gazette*, Aug. 6, 1794.

[6] Quoted in *Columbian Gazetteer* (New York), March 3, 1794.

[7] *National Gazette* or *Gazette of the U. S.*, May 11, 1793.

[8] See Hamilton's letter, quoted above (399), and a long communication in

In the main, however, the Society seems to have depended upon the normal influx of Europeans, particularly Englishmen, who were leaving home voluntarily on account of changing industrial conditions,[1] stimulated only by items or advertisements in American newspapers[2] and such documents as Hamilton's Report on Manufactures.[3] Writing of Springfield, N. J., in 1794, Henry Wansey, a visiting Wiltshire clothier, remarked: "Plenty of Emigrant workmen from our three kingdoms continually pass along and ask for work."[4] To some extent, no doubt, native Americans were employed, its "full population" having been one of the reasons for the choice of New Jersey. It is further possible that, after a good English custom, drafts were made on the workhouses of New York City.[5]

It is not clear that women were employed to any considerable extent in these early days, but child labor, which Moses Brown had recently remarked was "as near a Total Saving of Labour to the country as perhaps any other that can be named,"[6] was utilized. In August, 1792, Elisha Boudinot asked Hamilton to "sketch the substance of a law you wish with regard to apprentices — or the headings of it," and promised to "see it carried through the legislature."[7] Marshall and Pearce wrote Hamilton on October 3, probably in answer to an inquiry:[8]

> "The training up youth in the Different Branches of the Manufactory we consider Politic and Requi[si]te; in many of the Different Stages of our respective Businesses a Stout Boy, by a Twelvemonths Instruction wou'd be

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French on the subject, probably written by Mort in January, 1791 (*Minutes*, 13–14), in *Hamilton Papers*, xiv, 73–83.

[1] Cf. Johnson, *Emigration from the United Kingdom*, 56–57; *N. Y. Journal*, Aug. 10, 1791; Wansey, *Journal of an Excursion*, 204–205.

[2] Cf. letter from Edinburgh, May 16, 1794, quoted in *Newark Gazette*, Aug. 6, 1794.

[3] Letter of Thomas Digges to Hamilton, April 6, 1792, in *Hamilton Papers*.

[4] *Journal of an Excursion*, 217.

[5] Trumbull, *Industrial Paterson*, 38.

[6] Letter to John Dexter, July 22, 1791, in *Hamilton Papers*. Cf. also Hamilton's Report on Manufactures: *Works*, iii, 207–208, 220.

[7] *Ibid.*, v, 525. On the need of this O. Burr & Co., Danbury hatters, had written John Dexter for Hamilton, Sept. 12, 1791, in complaining of trouble with workmen: "Hence we see the great propriety of the English laws which no doubt have been the means of the Improvements which have brot their Manufactures to such Perfection": *Hamilton Papers*.

[8] *Ibid.*

> able to stand in the Shoes of an Adult person, and in a Country like this where Wages are so extremely high, a Material Saving wou'd Eventually accr[u]e to the Society if Apprentices were taken under certain Regulations."

Strangely enough, the legislature did not comply with the wishes of the Society[1] in this regard,[2] but shift was made to do without specific authority. Certainly a number of children were employed. For them Miss Sarah Colt, daughter of the superintendent, opened one of the first Sunday schools in the state,[3] and the board, for good reasons, seconded her altruistic efforts. Their vote of April 15, 1794, is illuminating:[4]

> "The Superintendent representing to the board, that a number of Children were employed in the Factory, whose Parents were so poor and the wages of the Children so low, that they cannot go to School, and that if something is not done a number of Children will be withdrawn — Resolved therefore that M^r^ Colt be authorized to employ a school Master to teach the Children of the Factory on Sunday's — and that the compensation of the Master shall not exceed Ten shillings per week —"

The master was furnished rent free with a small tenement for use as a schoolhouse as long as the factory was operated.[5]

Due attention was given to the training of workmen. One of the conditions on which Marshall's salary was raised, in April, 1793, was that

> "he undertake and obliges himself to instruct such persons as the Superintendent may point out, in the art and mystery of making and working the Cotton Mill machinery, and Spinning thereon by Water, within the said term of one Year." [6]

A gentleman who wrote at length about the plant in January, 1794, reported that the labor difficulties were daily lessening not only because of new arrivals from Europe, but because

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[1] The board appointed Bayard, Boudinot, and Parker a committee to apply to the legislature for such authority: *Minutes*, 74.

[2] The supplementary act is silent on this point. It suffered considerable amendment in council: *Council Journal*, Nov. 16–27, 1792, pp. 20–32.

[3] Nelson, *Schools of Paterson*, 15. The Boston Sail-Cloth Manufactory had done this in 1791, and Samuel Slater similarly in Pawtucket in 1793: *Boston Gazette*, April 25, 1791, and Bagnall, *Textile Industries of the U. S.*, i, 161.

[4] *Minutes*, 99.

[5] Cf. *Ibid.*, Jan. 25, 1796, p. 119. In this connection it is of interest to note the educational provision in New Jersey's first general incorporation act for business purposes (1816).

[6] *Ibid.*, 83.

"those formerly employed by him, having now made themselves masters of the different branches in which he has instructed them."[1]

A few actions attest the fact that the corporation was not altogether "soulless." In April, 1793, $20 was voted

> "towards the relief of Robert Gilchrist an useful Mechanic sent to the Factory by Col? Hamilton, and who has the misfortune of being taken sick and continued so for six months, so that he is reduced to distress with his family."[2]

In September following, the superintendent was directed to pay "two men disabled in the employ of the Society (as a Gratuity) such sums as he may think reasonable," not exceeding $16.25.[3] The plea of Richard Whittingham, a poor but "very usefull and deserving mechanic," for relief on account of a £50 debt due him by Hall and Pearce for making machinery, was answered by the delivery to Whittingham of "such part of the Machinery" as Colt might think "not of importance to the Society," on the receipt of Whittingham's bill on Hall and Pearce for its value.[4] A small doctor's bill was paid for Daniel Wheeler, whose arm was broken in the Society's service.[5] Yet these occasional outbursts of generosity indicate no well-defined policy toward industrial accidents or social responsibilities.

The real estate policy of the Society was influenced by three motives — the attraction of laborers, the increase of working capital, and the enhancement in value of the permanent property of the company. At the outset the first of these predominated, but as funds became more difficult to secure the second received greater emphasis; yet always the board avoided alienating the more important of its holdings and endeavored to take steps to render them more valuable.

During L'Enfant's régime the Major's magnificent plan of the town received no little attention — more than it deserved, according to Colt and Low. This was never utilized; indeed L'Enfant seems to have refused to give it up when he left the

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[1] *Newark Gazette*, Feb. 15, 1794.

[2] *Minutes*, 86.

[3] *Ibid.*, 89.

[4] *Ibid.*, 96.

[5] *Ibid.*, 98.

Society's employ.[1] In November, 1793, however, a survey was ordered and Colt was directed to divide the Society's lands into town lots, and the plan then made served as the basis for future development.[2] The policy of building numerous houses for the accommodation of the workmen was given up early in 1793, and with the straitened circumstances that marked this year came the decision of the board to sell quarter-acre lots at not less than $100 each, or to lease them for twenty-one years with a right to purchase at the expiration of the lease at a price, not less than this amount, agreed upon in advance.[3] In October, 1794, in anticipation of the formation of a company for erecting houses,[4] still easier terms were given: the price of quarter-acre lots was fixed at not less than $40, provided ten single or five double houses be built thereon, and not over $75, provided one double or two single houses be put up.[5] The Society advertised for settlers to "sit down" on the favored spot and offered extra inducements in the form of "Wall stone and Brick on advantageous terms."[6] Others too advertised similarly — Van Winkle, in April, 1794, thirty-eight lots "pleasantly situated near the Cotton Manufactory," and Gabriel Henno, in May, forty lots near the printing mill.[7] But if one may judge from the time such advertisements were carried in the newspapers, the demand for building accommodations was at no time very great.

The story of the manufacturing operations, direct or indirect, is for the most part one of failure upon failure.

The first to get under way were those for which Pearce had constructed machinery in Philadelphia and Paterson prior to the winter of 179–293. A writer from New Brunswick, Feb. 3, 1793, reported optimistically:[8]

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[1] Letters of Colt to Hamilton, May 7, 1793, and L'Enfant to Hamilton, Oct. 16, 1793, in *Hamilton Papers; Minutes*, 95.

[2] *Minutes*, 43, 92, 93, 95, 101.

[3] *Ibid.*, 86, 88.

[4] This may have been a project of "insiders," as the hotel building project of Scriba seems to have been.

[5] *Minutes*, 107.

[6] *Newark Gazette*, May, 1794, March 4, 1795.

[7] *Ibid.*, April 16, May 14, 1794.

[8] *National Gazette*, Feb. 20, 1793. This was going on "with indefatigable industry," according to the *N. J. Journal*, February 20.

> "They are now carrying on the carding, spinning, and weaving of cotton goods, viz. callicoes, jeans, dimities & muslinets. The goods seem to be of a most excellent quality, and I doubt not but in a short period, they will be able to vie in point of quality, with any imported."

L'Enfant's negligence seriously handicapped these operations. He had been directed to erect a temporary wooden structure to accommodate them, but when Peter Colt arrived on the scene late in February he had to report to Hamilton:[1]

> "Several buildings which have been ordered for manufacturers, are extremely wanted . . . and our weavers are working by the day in such wretched sheds, that they loose half their time."

The work was inevitably demoralized, though apparently not discontinued, when in March and April the work of construction was halted because of the prospect of changing the site.[2] But when in midsummer 1793 Hall was discharged and L'Enfant virtually ousted, Pearce's spinners and weavers were also discharged,[3] and all efforts concentrated on construction.

In 1794 the town was at its height, in point of population, enthusiasm, and activities both of the Society and of private individuals and partnerships. In January a Paterson correspondent wrote:[4]

> ". . . the carding, drawing and roving machines, for preparing cotton for *water* spinning, are now actually at work, by means of *two horses;*[5] the rovings they make are spun into excellent yarns on mules — of which two are in constant work for account of the society. . . . a number of printers, &c. who have lately arrived on this continent from England and Ireland, have formed themselves into a company, for the purpose of bleaching and printing callicoes and dimity here — and are actually at work with two tables. They perform every part of the work themselves — such as drawing, cutting, printing, bleaching, &c. They expect to go very largely into this business in the spring.[6] Another company have commenced the manufacture of Heavy Cotton Goods[7] and a third company are forming for the manufacture

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[1] Letter of Feb. 28, 1793, in *Hamilton Papers.*

[2] *Supra*, 466–468.

[3] Letter of Colt to Hamilton, July 18, 1793, in *Hamilton Papers.*

[4] *Newark Gazette*, Feb. 5, 1794.

[5] Ox-power is also reported to have been used, whence the term "Bull Mill" for one of the frame buildings: Bishop, *American Manufactures*, ii, 60; Trumbull, *Industrial Paterson*, 38.

[6] This was probably the Harper firm: *supra*, 486.

[7] Possibly one of the Halstead firms or John Bradburn: see *Newark Gazette*, March 12, June 18, 1794.

of Hosery on an extensive scale; suitable buildings being already erected on the lands of the society to accommodate them."

St. Patrick's Day was celebrated with a liberty pole on which United States flags and "various specimens of the manufactures of the town" were together flung to the breeze, and with the drinking of toasts to the town and its industries.[1] In the middle of June, the dam and canal being completed, the stone cotton mill was opened with a grand parade and a ball for the children and workmen of the factory.[2] The water-power may have been used henceforward. In August the *New York Magazine* announced that "the general system begins to promise expeditious perfection in various branches." In September "A Friend to the Public" protested against the bridge then building over the Passaic at Belleville (the Dutch Church) as calculated to raise the freight on lumber and thereby to be "of singular injury to the rising importance of the National Factory at this city."[3] In October a "Paterson Battalion" was counted among the militia regiments parading in anticipation of the movement to quell the Whiskey Insurrection.[4] At its best, the town may have held five hundred inhabitants, with perhaps one hundred and twenty-five in some way affiliated with the S. U. M.[5] But it is significant of its comparative insignificance that Henry Wansey, who visited the United States in this year with particularly keen eyes for manufacturing establishments, passed through New Jersey in June twice without calling at Paterson.[6]

The manufacturers soon fell away. As early as February, 1794, John Campbell, with whom there was a seven-year contract, advertised his intention of removing to Pennsylvania.[7] In May, Gabriel Henno advertised his property for sale, representing himself as "An European, after two years of injury, insult and persecution, suffered by him being obliged to remove, for want of justice and security."[1] In October the board,

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[1] *Newark Gazette*, March 26, 1794.

[2] *N. Y. Mag.*, v, 383 (June, 1794); *Conn. Journal*, July 2, 1794, quoted in Bagnall, *Textile Industries of the U. S.*, i, 181.

[3] *Newark Gazette*, Oct. 1, 1794.

[4] *Ibid.*, Oct. 22, 1794.

[5] Trumbull, *Industrial Paterson*, 40.

[6] See his *Journal of an Excursion*, esp. 98–99, 193–198.

[7] *Newark Gazette*, Feb. 19, 1794.

> "taking into consideration the Conduct of the Callicoe Printers Resolved that M^r^ Colt be authorized to dismiss the said Printers & discontinue that Branch of Manufacture as soon as he shall think fit for the advantage of the Society so to do."[2]

Other inhabitants, industrious and otherwise, gradually drifted away.

The chief products of the Society's own manufacture are indicated by an advertisement of December, 1795, of goods for sale at the factory:[3]

> "Cotton Yarns, viz.
> Water Twist, from No. 10 to 28.
> Mule Twist, 20 to 100.
> Coarse Jenny Yarns for Coverlids, and other country work, either white or blue.
> All kinds of Stocking-Yarns, for needle or frame, either grey or bleeched.
> All kinds of knotting, sewing and tambouring yarns.
> Candlewick, both common and Superfine.
> All kinds of white and printed cotton goods."

The manufacture of chip hats, the spinning of flax, hemp, and wool, and the silk culture do not seem to have been begun; and the printing operations, on which so much hope had been pinned, proved a great disappointment.

By the end of 1795 sufficient experience had accumulated to convince some members of the board that the ill success of the undertaking was not due merely to initial obstacles, but to more fundamental and less surmountable difficulties. At the August meeting Marshall & Monk and Henry W. Harper had been called to account for the separate businesses they were carrying on, and on November 24 it was voted, on hearing Marshall's report,[4]

> "that the jining of Seed Cotton be wholly suspended. & that the spining of Candlewick as a seperate business from the general manufactures of the

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[1] *Newark Gazette*, May 14, 1794.

[2] *Minutes*, 106. These were probably employees of the Harper firm.

[3] *Newark Gazette*, Dec. 16, 1795, March 30, 1796. In April, 1793, the superintendent was empowered to appoint a selling agent in New York: *Minutes*, 85.

[4] *Ibid.*, 112, 116–117.

Society be discontinued. and that for the futer no seperate business of that nature be entered into or carried on."

Further, a committee was appointed

> "to enquire minutely into the different Manufactures, & to make report at the next quately meeting the true state of each, — in order that the directors may be able to determine wether it will be expedient to abandon any & if so which of the persuits that are at present engaged in."[1]

On January 25 following it was voted to call a stockholders' meeting as early as the law permitted — the first Tuesday in March — "to take into their serious consideration affairs of the utmost importance to the . . . Society;" and further

> "that the superintendant prepare & State the accounts of the Society in as clear & explicit a manner as possible, so as in one view to shew as well the value of the Stock & Impliments belonging to the Society, as the profits or advantages or disadvantages resulting from each branch of manufactures, in order to lay before the Stockholders,"

who were "earnestly requested to attend in person or by proxy."[2] Evidently at least the abandonment of operations, and possibly the question of dissolution as well, was to be submitted to the company; but the directors were sufficiently certain of one action to pass this vote before their own adjournment:[3]

> "Whereas the Funds of the Society will not permit the proceeding in the manufactures any further without evident loss, Resolved that the Superintendant be directed to put a stop to every species of manufacture as soon as the work in hand is so far compleated as to prepare them for sale; & that the Superintendant be authorized to raise Money on the Goods of the Society by sale at vendue or otherwise as he shall Judge most prudent — and that he be authorized to discharge immediately every person not necessary to carry this resolution into execution —"

The meeting was held, and while dissolution was not resolved upon, the directors were authorized to bring active operations to a close. Thomas Marshall was discharged, and upon his relinquishing the apparatus and produce of his separate ventures, which had yielded no profit, he was allowed his full salary to Jan. 25, 1796;[4] and in May he betook himself to Philadelphia with a letter from Alexander Hamilton to Oliver Wolcott, the new Secretary of the Treasury, recommending him for a clerkship in the department.[1] Despite losses sustained through Henry W. Harper, the board voted[2]

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[1] *Minutes*, 117; Boudinot, Burnet, and Baldwin were chosen.

[2] *Ibid.*, 117–119.

[3] *Ibid.*, 119.

[4] *Ibid.*, 116–117, 120.

> "to allow M^r^ Harper the Sum of Five Hundred Dollars a Year for his Services from the 10^th^ day of January 1795 provided he will accept the Same & settle all his accounts or demands with the Society."

Peter Colt was allowed to go with a fervent testimonial to his

> "Industry, care & prudence in the management of their affairs, . . . fully Sensible that the failure of the objects of the Society was from causes not in his power, or that of any other man to prevent —"[3]

He soon found employment on the New York canals, in which General Schuyler, Hamilton's father-in-law, was interested.[4] One director was authorized "to redeem the Tickets that have been issued for change by order of the Board,"[5] and another to sell deferred stock and with the proceeds to discharge the debts due the various banks.[6] The governor was authorized to direct the sales of all the goods of the Society, including "any unwrought materials" and unfinished goods, "giving four months Credit on approved notes."[7] The plant itself was advertised for rent, in the newspapers of Philadelphia, New Jersey, New York, and Boston.[8] Finally, on concluding these arrangements at their meeting of July 8, 1796, the directors voted to call a special meeting of the stockholders for October 3 to consider the propriety of dissolving the corporation in accordance with the charter; and again urgent request was made that everyone attend.[9]

The grand project then had failed. And why? The contemporary explanation is given in the *Newark Gazette* of June 1:

> "It is a fact much to be regretted, that all attempts to establish the manufacture of woolen and cotton cloathes on a large scale, in these states have

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[1] See the letter, dated May 27, 1796, in *Wolcott Papers*, vii, 29.

[2] *Minutes*, 121.

[3] *Ibid.*, 122–123.

[4] Cf. Jones, *Annals of Oneida County*, 375–377, and letters of Colt to Elisha Boudinot, Nov. 9, 1801, July 24, 1811, in *Boudinot Papers*, 353½, 362.

[5] *Minutes*, 122, 99. These had been authorized in April, 1794.

[6] *Ibid.*, 121.

[7] *Ibid.*, 121.

[8] *Ibid.*, 120; *Newark Gazette*, May 25, June, 1796; *Columbian Centinel*, June 4, 1796.

[9] *Minutes*, 123. It is quite probable that a quorum for this purpose (two-thirds) had not attended the March meeting.

proved unsuccessful. The manufacture of woolens, at Hartford, is in a great measure fallen to the ground.[1] That of cotton at Paterson, is wholly suspended, and the machinery taken to pieces. This is the state also of that at Pompton and nearly that of York Island.[2]

"The high price of labor, in consequence of an unforeseen war, may be considered as the principle, or rather immediate cause of these failures. But other causes must be taken into the account.

"The proprietors have employed emigrants who in most instances direct many of the most essential branches. — Many of these men have proved to be imposters: wholly ignorant of the business they professed. Others have been idle projectors, without experience or system and without integrity. Perhaps it is within the limits of truth to assert, that with[in] a few of the northern states a million of dollars have been wasted by these projects.

"But it may reasonably be questioned, whether manufactures of the kind mentioned, can succeed in this country for many years to come; Between countries very populous, where no wealthy lands invite the inhabitants to remove from manufacturing towns and this with millions of acres, unoccupied and purchased at a low price, present the industrious man with an independent estate, for a little labour. The competition between countries where laboring men can be hired at a shilling or eighteen pence sterling a day, and one where the same labour costs three, four or even five shillings sterling, cannot long be sustained by the latter. The freight, insurance and even high duties on the importation of rival manufactures, will not counterbalance such an advantage in the value of labour, unless the article is manufactured with little labour, and is extremely bulky.

"The immense capitals that have been sunk in attempts to establish manufactures will make our people more cautious in future. There is a time in every country when manufactures will spring out of necessity and favorable circumstances. In general government aid is not necessary to produce or support such establishments."

Several of Wansey's comments on "Dickson's cotton manufactory at Hell Gates, about five miles from New York," and his more general observations, would apply to the Paterson company:[3]

". . . they have sunk a vast deal of money in buildings and machinery unnecessarily, which is a heavy tax on the undertaking, so that the interest of the money will eat up almost all the profits; . . . The English workmen are dissatisfied, and ready to leave the factory as soon as they have saved up a few pounds, in order to become landholders up the country, and arrive at independence. The company also try at too many things, and the goods they make are very inferior to what they get from us. . . . The general error of all their large undertakings has been, their laying out their capital in large buildings and an unnecessary stock of machinery, &c. which brings a heavy mortgage on the concern, before they actually begin. They also put the whole business under the care of a chief workman (being ignorant themselves) who has no interest in an œconomical managment of the concern. The large cotton manufactory at Paterson . . . has almost been ruined twice by such men."

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[1] For its decline, see Bagnall, *Textile Industries of the U. S.*, i, 108.

[2] *Ibid.*, i, 184–188.

[3] *Journal of an Excursion*, 84–85.

The labor problem was undoubtedly very serious. There is no reason to believe that the Society's employees were superior to those which made the Potomac Company so much trouble,[1] or to the estimates implied in Coxe's letter to Jefferson or in Marshall's to Hamilton.[2] Insubordination was rife. Intemperance was common: doubtless many an artisan could express his enthusiasm for America much in the words of a soldier of Gage's army when he bought a bottle of New England rum: "O what a blessed country is this, where a man can get drunk *twice* for sixpence." [3] Readiness to break contracts at will and to leave forthwith for more attractive fields was characteristic,[4] and even the most generous treatment, as the Society learned in its dealings with Hall and Pearce, did not succeed in purchasing loyalty. Indeed, if we may believe a story of Elias Boudinot's, at least one instance of wanton sabotage occurred.[5]

It is easy also to point out mistakes. Hamilton blundered egregiously in allowing his friends Duer and L'Enfant, whose proclivities he well knew, to play so important parts in the enterprise. His selection of Hall, Mort, and Pearce, though more excusable, was equally ill-judged. The delay in securing a superintendent, as Hamilton realized, but did not insist upon with sufficient force, was well-nigh fatal. The scale of the works was not properly adapted to the capital in sight or even expected, and even if one does not credit the story that "the billets of the card-cylinders" were "covered with mahogany," [6] there can be little doubt that extravagances in construction were many. The plan of finance, furthermore, reminds one of ancient and modern prospectuses which outrival schemes for securing perpetual motion.

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[1] Cf. Pickell, *Potomac Co.*, 76–77, and Essay IV, chap. 3.

[2] *Supra*, 354, 482–483.

[3] Quoted in *American Museum*, vii, 183 (April, 1790).

[4] Wansey, *Journal of an Excursion*, 84, 204–205, and *Hamilton Papers*, July–November, 1791 (reports to Hamilton from manufacturers).

[5] Reported in White, *Samuel Slater*, 177–178 n.

[6] James Beaumont, quoted in Bagnall, *Textile Industries of the U. S.*, i, 183.

Yet a word or two more may be said in elucidation of the vague and unsatisfying explanation that the project was premature. Not only the laborers but the subscribers as well took their contracts lightly. Oversubscription of allotments of shares, followed by quick desertion of the enterprise when its prospects declined, was a not uncommon experience of the day.[1] John Adams well said, in his letter to Tench Coxe in May, 1792:[2]

> "Manufactures cannot live, much less thrive, without honor, fidelity, punctuality, public and private faith, a sacred respect to property, and the moral obligation of promises and contracts, virtues and habits which never did, and never will generally prevail in any populous nation, without a decisive, as well as an intelligent and honest government. . . ."

Moreover, the lack of experience, in engineering, finance, and large-scale management, to say nothing of technical industrial activity, was a handicap of wholly unappreciated significance: whatever the native capacity of such men as Hamilton, Low, and Colt, their training had been utterly inadequate to fit them for the undertaking which they attempted. "Politicus" spoke with insight when, in the *London Chronicle* for March 17, 1778, he wrote to calm the fears of "A Manufacturer" regarding the establishment of American manufactures:[3]

> "I own, indeed, that there is a remarkable difference between the situation in America, supplied as it is with a vast number of good workmen from the several countries of Europe, and that of a nation emerging, by its own native efforts, from a state of barbarism, and rising into the rank of a trading and manufacturing people. But it is not enough that a few, or even a greater number of people, understand manufactures; *the spirit of manufacturing must become the general spirit of the nation, and be incorporated, as it were, into their very essence.*[4] Knowledge may be soon acquired; but it requires a long time before the personal, and a still longer time before national, habits, are formed."

Something of this indeed the great Secretary perceived, but he was entirely too sanguine as to the ease with which the new spirit could be made to permeate the national life. And for lack of this, with the handicaps under which the Society labored, it was foredoomed to failure.

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[1] Cf. Essay IV, chap. 3.

[2] Quoted in *National Magazine*, ii, 253–254 (1800).

[3] Quoted in *Pa. Mag. of Hist. and Biog.*, vii, 198–199 (1883).

[4] Italics mine.

Before leaving these early years it is well to summarize the services which Alexander Hamilton rendered to the Society. These it is equally easy to underestimate and to overestimate. It is almost certain that he was responsible for the conception of the Society. He probably drafted both the prospectus and the act of incorporation. There is no reason to believe, however, that he had much to do with securing subscriptions, or that he dominated or attempted to dominate the election of directors or the policy of the Society. Duer's election to the governorship was almost a matter of course, and during the winter of 1791-92 Hamilton seems to have distinctly held his hands off, expecting and hoping to see the directors fulfil their responsibilities without recourse to him. When the new board had been elected, in the fall of 1792, Hamilton again limited his activity in behalf of the Society chiefly to answering requests for advice. In 1795, after his retirement from the Treasury Department, he was elected a director, but he seems never to have attended a meeting of the board in that capacity. In a word, he did not impose himself or his opinions upon either stockholders or directors, and doubtless realized that if it was to be a genuine success it must be so without his constant personal assistance or control.

Nevertheless, one cannot read the records of the Society nor look over Hamilton's papers without realizing in how many respects the Society was dependent upon him. At the outset, even before incorporation was effected, he was formally constituted the attorney for the subscribers with power to make contracts with skilled artisans who should enter the Society's service. He utilized this power and entered into close relations with these men. He asked their opinions on the plans outlined in the prospectus. He got from them detailed plans and estimates for the types of manufacture in which they were interested. Three he sent prospecting for desirable sites for factories, receiving their reports directly or through his assistant, Tench

Coxe. A fourth he engaged in making machinery, advancing him hundreds of dollars for support, materials, and workmen, and encouraging him even by visiting his shop in company with the highest officials of the national government. He received numerous letters of application for employment with the Society, from would-be clerks, mechanics, and entrepreneurs, as well as recommendations of such men from other men. He received proposals from those who would have liked the Society to locate in particular neighborhoods, and obtained from these detailed statements of the advantages their proposed sites had to offer. Such correspondence did not cease with the establishment of the Society at Paterson, for even in 1793 he was receiving new applications from would-be employees.

These were largely matters of detail. He was also to be counted upon in matters of large importance. He probably visited Trenton while the legislature was discussing the proposed charter, to be consulted by the lawmakers with respect to the bill. When Duer's failure removed from the company the guiding hand to which the directors had committed the chief responsibilities and left the Society leaderless, Hamilton acceded to their earnest request for guidance, and brought the corporation successfully out of a most critical situation into a fairly plain path. He attended several meetings of the board. He used his influence to get Duer to repay his indebtedness, and to get Nehemiah Hubbard to reconsider his refusal of the superintendency. He was consulted as to the legal and practical steps to take to save the funds sent abroad. He personally investigated the site for the works and the means of utilizing the water power, and further secured the expert advice of his father-in-law, General Schuyler, upon these points. The committee in charge of construction kept in close touch with him. For them he interceded with the Bank of New York for easy terms for loans. Upon them he urged Major L'Enfant as the best talent available for their engineering problems, and he probably urged L'Enfant to accept the position with them. He was called upon to draft a law regarding apprentices. To Hamilton the directors, L'Enfant, and later the superintendent reported the progress of their activities. To him L'Enfant and the English artisans whom he had secured appealed for the grant of special privileges, the modification of restrictions imposed by directors or committees, and for aid in collecting sums which they considered the Society owed them; in one instance, indeed, Hamilton was defendant in a suit for such a debt.

In view of these activities, it is small wonder that the enterprise was referred to, by such friends as Elisha Boudinot and Major L'Enfant, as the "child" of the Secretary. Yet there is little evidence of any active interest on his part after the middle of 1793, and it is not clear that Hamilton acted as director, when he was elected after his retirement from office. The parent was unquestionably disappointed in the stunting of his child's growth, and when convinced that it could not fulfil the promise of its infancy he left its care to others.

CHAPTER VIII

Dormancy, Revival, and the Century After

The later history of the *Society for establishing useful Manufactures* is for the most part of merely local interest. After 1792 it ceased to appear on the national stage, and after 1793 Hamilton's activity on its behalf was negligible. But the charter provisions making difficult a voluntary dissolution and preventing forfeiture of privileges for "non-user" insured the company's continued existence, and its career, though on the whole rather quiet, has been intimately interwoven with the development of Paterson.

At the stockholders' meeting of October, 1796, the movement for dissolution was unsuccessful, and a new board of directors was elected.[1] In default of further elections this board continued to hold office for eighteen years, but in this interval only three meetings were held — on March 7, 1797, Feb. 15, 1802, and April 5, 1814.[2] In a word, throughout this period the corporate body remained practically dormant, and even repeated legislative investigations failed to arouse it.

For a time Paterson too slept. When the works shut down, the town, already depleted, was left almost deserted.[3] At its meeting in March, 1797, the board found several offers to rent part of the cotton mill and sites for saw mills,[4] and some of these were probably accepted by the committee charged with executing the contracts; but it was necessary to appoint an agent to have general oversight of the large amount of unleased property.[1]

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[1] See notice in *N. J. State Gazette*, Sept. 6, 20, 1796, or *Newark Gazette*, Sept. 7, 14, 1796. No records remain, but it is probable that inadequate attendance defeated the proposed dissolution.

[2] *Minutes*, 124–132.

[3] Trumbull, citing Rev. Samuel Fisher, a local statistician, says the population dropped to 43: *Industrial Paterson*, 40. Cf. also Dickerson, *Lecture on Paterson*, 24.

[4] *Minutes*, 124–125.

In 1800, probably by virtue of earlier leases, John Park was using part of the cotton mill for spinning candlewick and coarse yarn; and another part was occupied by John Clark, probably the same workman who earlier served the S. U. M.,[2] who about this time constructed six water frames of seventy-two spindles each which he installed in the first cotton mill in Massachusetts to use Samuel Slater's improved "system," which was opened in Beverly in 1801 or 1802.[3] In 1801 Charles Kinsey, with associates Crane and Fairchild, leased a mill seat and established a paper factory;[4] and when in 1802 the board met to confirm this contract, the prospect of development was such that the governor and committee were advised to let as many other mill seats and lots as should be applied for, on the best terms obtainable, while the local agent was directed to divide the bleaching meadow into lots for pasture or hay and to rent them for a term of years on leases revocable when the Society should need them for its own purposes.[5] As a result, from 1800 on, the property yielded annually more than enough to cover the agent's salary ($250), and in 1804-06 the rentals amounted to $1390 per year.[6]

In the winter of 1806-07 the cotton mill with all its contents, valued in 1804 at $17,885, was destroyed by fire. Fortunately the precaution had been taken shortly before to have it insured (in the London Phœnix Company), and the sum of $6500 was eventually recovered on account of the loss; but its destruction involved an immediate decline of $525 in the annual rentals.[6]

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[1] David Godwin, at $400 per annum: *Minutes*, 125. Abraham Van Houten, his successor, received $250: see *infra*, 509.

[2] See *supra*, 472, note 4.

[3] Trumbull, *Industrial Paterson*, 40–41; Bagnall, *Textile Industries of the U. S.*, i, 183, 267. Cf. the bill before the assembly in 1804, growing out of a petition from Abraham Baldwin of Vermont and associates, entitled "An act vesting in John Clark, of the town of Paterson, in this State, and others an exclusive right of constructing and using Machines for carding Sheep's-wool in this State for a limited time" (seven years): *Assembly Minutes*, Feb. 2–13, 1804, pp. 94, 97–98, 100–101, 121. "Americanus," writing in the *True American*, Sept. 2, 1811, remarks that there is scarcely a settled district without such a machine.

[4] Trumbull, *Industrial Paterson*, 41.

[5] *Minutes*, 126.

[6] Reports of Dodd and Bloomfield: see *infra*, 509–510.

In view of the better prospects for manufactures a new raceway (called by Governor Bloomfield in 1808 a "large canal") was cut in 1807 below the first one, at a cost of $1000, taken from the surplus income of the years 1805-07.[1] This was the first capital investment made since the closing of the works in 1796, except for a new dwelling house built in 1802 or 1803.[2] Through it power was obtained for one or two new cotton mills which were built soon after,[3] and facilities were prepared for other manufacturers. The next seven years were years of notable progress, in spite of a destructive freshet in 1810, thanks to the stimulus to manufactures given by international complications.[4] The *Beaver Woolen Factory* was incorporated in February, 1813, the *Essex County Manufacturing Company* in February, 1814, and the *Passaic Manufacturing Company* in January, 1815, thus giving Paterson for the moment one-half of the manufacturing corporations in the state.[5] In 1814 a local statistician reported in profitable operation in the town eleven cotton mills, — more than one-half the total number operating in the state,[6] — one card and wire factory, one rolling mill, and one saw mill; and a population of about 1500.[7] In this progress the Society participated. It sold several town lots, mill seats, and about thirty-six acres of outlying land, in the case of the Beaver and Essex companies taking stock of the manufacturing companies at least in part payment.[8] On Oct. 1, 1814, six lots and eight houses were on lease at an annual rental of $1130.[9] Governor Elisha Boudinot reported to the board in April:[9] "the property of the Society has increased very much, and the place is flourishing beyond the most sanguine expectations of its friends." Elias Vanarsdale, viewing the situation from the standpoint of a legislator, wrote in this same year:[1]

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[1] Bloomfield report, and statement for plaintiff in *Society* v. *Morris Canal and Banking Co.*, 1 N. J. Eq. 158, 162 (1830).

[2] Dodd report.

[3] Dickerson, *Lecture on Paterson*, 10.

[4] *Society* v. *Haight*, 1 N. J. Eq. 393, 395 (1831).

[5] The Passaic company was the ninth to be chartered, but the Fairfield company (1809) had sold its plant in 1814. Five new companies were incorporated in 1815–16.

[6] See census of manufactures: *Assembly Minutes*, Feb. 13, 1815, p. 233. Thirteen of the mills were in Essex County.

[7] Trumbull, *Industrial Paterson*, 43.

[8] First Vanarsdale report: *Assembly Minutes*, Oct. 31, 1814, pp. 33–34.

[9] *Minutes*, 128.

> "Within these few years . . . Patterson has greatly improved in building, manufactories and population, and bids fair under proper management to be a manufactoring town well worthy of the fostering care of the Legislature of New-Jersey."

On Oct. 2, 1815, the personal and leased estate of the Society, exclusive of lands remaining unsold and unleased, was valued at nearly $120,000, almost double Governor Bloomfield's estimate of the entire estate in mid-summer 1808,[2] and nearly half the original investment by the shareholders.

The credit for taking advantage of the opportunities which this period presented belongs to two sons of the former superintendent, Peter Colt. As early as 1808 Roswell L., the elder, had begun buying up the shares of the Society, which were then to be had for as low as $12.50. In 1810 he bought at $40 all or most of Elisha Boudinot's holdings, five hundred and fifty shares, and he soon had a majority of the entire outstanding stock.[3] He was a leading stockholder in the Beaver Factory:[4] and soon after it was incorporated, in 1813, Governor Boudinot, "finding the concerns of the Society very much increasing," appointed him the agent of the S. U. M. in Paterson.[5] In this office he associated with him his brother John, and to their activities the state commissioner, Vanarsdale, attributed a large measure of the town's development.[1] In April, 1814, the board, on Roswell Colt's recommendation, voted lands for a church and a school, and further encouragements for the church.[6] A little later in this year an election was held for a new board of directors; this the Colts naturally dominated, and from that day to this the S. U. M. has continued to be a close corporation of their family, Roswell himself serving as governor from 1814 until about 1850.[1]

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[1] First Vanarsdale report: *Assembly Minutes*, Oct. 31, 1814, pp. 33–34.

[2] Second Vanarsdale report: *ibid.*, Jan. 11, 1816, p. 77; Bloomfield report: *ibid.*, Nov. 8, 1808, pp. 34–36.

[3] Trumbull, *Industrial Paterson*, 47; *Minutes*, 128; letters of R. L. Colt to Elisha Boudinot, June 25, July 2, 1807, in *Boudinot Papers* (Hist. Soc. of Pa.), iii, 360–361.

[4] *Session Laws* (*Private*), Feb. 17, 1813, p. 109.

[5] *Minutes*, 128.

[6] *Ibid.*, 129, 131–132.

Before sketching very briefly the following hundred years of the company's history, it is in point to recite one incident which came to a head about this time and which has a bearing upon the wider problem of the relation of the state to its corporate enterprises.

It will be recalled that the legislature of 1791, in a burst of unprecedented enthusiasm and possibly under the direct stimulus of Hamilton's inspiring personality, became a subscriber to the extent of $10,000, which was duly paid over in cash.[2] The manufacturing operations never having succeeded, no dividends were paid. When, however, it was decided to abandon the enterprise, a move was made to recover for the state its unfortunate investment. On March 3, 1796,[3]

> "Mr. Clement with Leave, presented the Draught of a Bill, intitled, 'An Act for the sale of Property in the Town of Paterson,' . . ."

At the fall session the bill was reported from committee, with sundry amendments and a title changed to read,

> "An Act for appointing commissioners to make sale of the property belonging to this state in the stock of the society for establishing useful manufactures."

But the measure was postponed till another year and then died forgotten, probably because the stock was worth almost nothing at this time.[4]

For several years the matter slumbered, like the town and the Society. In March, 1804, however, when the prospects of both were considerably improved and the property was yielding the Society some income, the state availed itself of its charter privilege to appoint a commissioner to investigate in detail the past operations and present condition of the corporation and its possessions, particularly with a view to determining the amount to which the state was entitled.[1] Col. John Dodd, later council member from Essex County, was the appointee, and his report was read at the opening of the session in October, 1804.[2] He was unable to "come at" the "books containing the particular items of expenditures," but reported the expenditure of all but $20,000 of the original capital "in erecting the works and in fruitless attempts to carry them on." He submitted an inventory of the machinery and found the present value of the property to be $71,627.30.[3] He stated that there was room for forty other mill seats as good as the one in use, "which at some future time will become valuable, at present the value cannot be ascertained." The income for 1800–04 he gave as $3520.87,[4] of which $1250 had been paid the "superintendent" and $2100 for "repairs and erecting one new house." The legislature took no action, and though Dodd was continued as commissioner till the next session, no further report was then called for or made.[5]

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[1] *Minutes*, *passim*, and Trumbull, *Industrial Paterson*, 47. Cf. also *Kean* v. *Colt et al.*, 5 N. J. Eq. 374 (1846).

[2] See *supra*, 387, and *Assembly Minutes*, May 17, 1792, p. 8, Nov. 16, 1792, p. 71, May 16, 1793, p. 205.

[3] *Ibid.*, 42.

[4] *Ibid.*, Oct. 29, 31, 1796, p. 13, Oct. 25, 26, 1797, pp. 5, 7–8.

After the burning of the cotton mill and the building of the new canal the matter was taken up again, with more energy. By a joint resolution of Dec. 1, 1807, Governor Bloomfield — himself one of the original stockholders of the Society — was directed not only to receive proposals from would-be purchasers of the state's stock, but also

> "to employ at the expence of the state such agent or agents as may be necessary to procure full information on the affairs of the corporation, . . . to direct such prosecutions as in his opinion may be expedient to bring the concerns of the company to a close, or to receive any monies which

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[1] *Assembly Minutes*, March 1, 1804, p. 193; *Council Journal*, March 1, 1804, pp. 335, 337.

[2] *Assembly Minutes*, Oct. 27, 1804, pp. 218–220.

[3] Land, $22,500; mill seat leased, $1071.43 — a capitalization of the $75 rental; buildings, $16,000; machinery, $11,885; with the funds at interest and the cash balance.

[4] 1800, $268.38; 1801, $420.37; 1802, $295; 1803, $1146.50; 1804, $1390.62.

[5] *Assembly Minutes*, Nov. 29, 1804, p. 342; *Council Journal*, Nov. 29, Dec. 1, 1804, pp. 398, 401.

> may be due to the state on account of its interest in the stock of the corporation."[1]

Obviously the legislators could not get through their heads the fact that the state was merely a stockholder, and that it was entitled neither to dividends nor to division of the property except as the directors should vote them.

The governor visited Paterson in August, 1808, accompanied by Colonel Dodd and Elisha Boudinot, and there consulted with the agent, with Mr. Kinsey, and with other residents. Everyone was most willing to aid his investigation, but, though he saw Scriba, the treasurer, he also could not get sight of the treasurer's books. He estimated the real estate to be worth $33,500, since the burning of the mill, and the total estate to be about $60,000. He added:

> "The whole number of shares on which payments have been made in full, held at present by about seventy persons, amount to 2256. This state therefore is entitled to something more than a twenty-third part of all the property of the company," —

about $2600. Since in the depressed state of the market not more than $12.50 could be had for the stock, the governor did not think it "justifiable to make sale of any shares of stock held by the state," and, knowing that the state could not force dissolution or payment of dividends, he naturally took no legal steps toward these ends.[2]

The legislature was not satisfied. It noted that there remained of the income for the preceding four years an unexpended balance of $143.81, and appointed Silas Whitehead, member of the lower house for Essex County,

> "commissioner on behalf of the state to receive the money arising from rent, interest, &c. now in the hands of said society, or which may be on the first day of September next [1809], belonging to the state, and pay the same to the treasurer of this state; also report the same to the legislature at their next session together with the highest price that can be obtained for each share of said capital stock."[3]

Whitehead reported on Nov. 28, 1809, that Governor Boudinot had informed him

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[1] *Assembly Minutes*, 137, 147; *Council Journal*, 680, 693.

[2] *Assembly Minutes*, Nov. 8, 1808, pp. 34–35.

[3] *Ibid.*, Nov. 25, 1808, p. 148; *Council Journal*, Nov. 25, 1808, p. 806.

> "that the whole of the rents, issues and profits arising from the property at Paterson, had been expended in improvements, and the interest arising on the unexpended capital is considered by the governor to belong to the capital, and cannot be divided."

Like Dodd, he commented on the existence of mill seats of large potential value and observed

> "that the shares have risen from two to three dollars per share last year, and in all probability will continue to rise; as the advantages for the erecting mills are perhaps superior to any in the United States."[1]

Again the matter rested, and although, in February, 1811, on motion of Stephen Dod of Morris County, that gentleman was appointed commissioner with powers much like those of Whitehead,[2] no more reports appeared for five years.

The public act of Feb. 12, 1814, was passed without a dissenting vote, when funds were badly needed by the state. The preamble, after reciting the investment by the state, states the occasion for the act:[3]

> "whereas the original design and intention of the said institution has failed, and has been for a long time abandoned by the directors of said society, and no dividends of the profits of said stock have ever been made, nor any satisfactory account of the dealings or transactions of the said society, or of the situation of the property of or funds belonging thereto, hath heretofore been made by the said directors to the commissioner of this state, and whereas it appears to the legislature that the said society have lately sold and conveyed in fee, certain portions of the real estate of the said society, and have not made or offered to make any dividend of the monies arising from said sales, . . ."

Elias Vanarsdale of Newark was appointed commissioner; and

> "In addition to the powers vested in the said commissioner by the before recited act, he is hereby authorized and required to demand of the directors of the said society a statement of the affairs of the said society particularly exhibiting the amount of stock, debts and credits thereof, and of the real and personal property belonging to the same, and also that the said commissioner demand of the said directors, or their proper officer, that immediate measures be taken by the corporation of the said society in conjunction with the said commissioner, for adjusting the demands of the state on the said society, and for securing the interest of the state therein, and for finally dissolving all pecuniary connection between the state and the

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[1] *Assembly Minutes*, Nov. 28, 1809, p. 303.

[2] *Ibid.*, 496, 503; *Council Journal*, 1033–1034.

[3] *Session Laws* (*Public*), 75.

> said society, for the more effectual accomplishment of which the said commissioner is hereby authorized to receive goods, money or land, of the said society, and the said corporation are hereby authorized and empowered to convey by proper conveyances in goods, chattels, lands and tenements, or real estate belonging to the said society, to the state of New-Jersey to the amount of the just and equitable claim of the said state, on the real and personal estate of the said society."

In default of compliance with this demand within a reasonable time the commissioner is authorized to take suitable legal measures to enforce it. In a word, the legislature refused to recognize the limitations to which its predecessor had subjected it by the grant of the liberal charter of 1791.

Eloquent testimony to the diplomacy of the officers of the Society is afforded by the fact that, whatever the powers or the personal attitude of the commissioner sent out by the legislature, in no instance did he return with any but the most friendly attitude toward the corporation. Vanarsdale, the last, was no exception. He made a careful investigation, attending at Paterson

> "At different times in the Spring, Summer and Fall . . . to inspect the proceedings of the said corporation and the state of its affairs and to examine the books of the company."

And in October he made a careful report.[1]

As to property and income, he found that the recent sales had yielded $44,372.37, and that there were additional monies due, on bonds or book accounts, of nearly $50,000, arising "chiefly, if not wholly, from the United States stock, insurance money, rents and interest." The six lots and eight houses in use he estimated to be worth $7642.85 and $3760.82 respectively, which with $3000 in stock of the Beaver company and the sums due made a total of some $108,000 ($48 per share). Of the unoccupied real estate he remarked:

> "The out lands are worth but little above the purchase money paid for them, but the building lots, mill seats and water privileges are of great value not easily estimated on account of the uncertainty in the demand for them, and the great expence necessary to create the mill seats."

On the rest of his mission Vanarsdale met with a direct rebuff. "I have lately received from Mr. Roswell L. Colt," he writes,

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[1] *Assembly Minutes*, Oct. 31, 1814, pp. 31-34; *Trenton Federalist*, Dec. 26, 1814.

> "a communication in which in substance he informs me that for reasons therein mentioned the society decline complying with the terms required by the state in the late act of the Legislature. He offers at the same time to purchase their shares, but would prefer that the state should remain interested in the society."

To this conclusion Vanarsdale himself did not seem to be averse.

The legislature was puzzled, but it was determined to dissolve relations with the company. In council a bill for the sale of the stock, recommended by a joint committee, was passed, but the lower house, after hearing Vanarsdale on the subject, disagreed to it. Other bills were considered in vain.[1] In January, 1816, Vanarsdale, who had been continued as commissioner, made a supplementary report, the chief feature of which was the addition of $11,029.34 arising from some small sales of land and interest money not before included.[2] This time the houses agreed, and on February 1 an act passed appointing three commissioners "to accept from the society lands which they should judge of the value of $11,000," in consideration of the transfer of the shares owned by the state.[3] Apparently Mr. Colt had already consented to this solution, and after some negotiation the commissioners accepted from him, for the Society, seven tracts of land containing 301.53 acres.[4]

The state was not yet free from difficulties, for the lands were not saleable and the leasing process was troublesome. For thirty-five years the "State Lands at Paterson" continued a subject of legislative action.[5] For a number of years agents were appointed to have them in charge, making leases whenever practicable; but little was realized by this means. At intervals sales of small portions were specifically authorized.

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[1] *Assembly Minutes* (1814–15), 34, 97, 142, 147, 149, 151, 191; *Council Journal* (1814–15), 1611–1612, 1623–1624, 1632–1633, 1738–1739, 1752–1753.

[2] This covered the period to Oct. 1, 1815: *Assembly Minutes*, Jan. 11, 1816, p. 77. Cf. committee report: *ibid.*, January 19, p. 114.

[3] *Session Laws* (*Private*), 36. The act passed the lower house by a vote of 30–3, the council unanimously: *Assembly Minutes*, 158–159; *Council Journal*, 1853.

[4] *Minutes*, 135–139; *Assembly Minutes*, Oct. 23, 1816, p. 13.

[5] Hood, *Index of Laws* (ed. 1903), 806, lists eighteen acts relative to these lands between 1817 and 1852.

In 1832 commissioners were appointed to investigate the possibility of an advantageous sale of the entire property, but without definite result. In pursuance of the act of March 2, 1839, however, the bulk of the lands was soon after laid out in lots and sold, but it was not until 1852 that the last parcel was disposed of. In all the state realized on them some $30,000 over and above the expenses directly incident to their management and disposition; on the whole a better outcome than there had been reason to expect.[1] Thus ended the sole experience of the state as a stockholder in a manufacturing corporation.

During the early years of the Colt control there was some talk, possibly prompted by the attitude of the state, of having the Society renew manufacturing operations on its own account. Thus at the board meeting of Oct. 3, 1814, after a statement of the funds had been read, it was

> "Resolved that the Governor be requested to use his utmost efforts, to realize with as little delay as shall be compatable with the interest of the institution a sufficient cash capital to enable the Society to recommence a Cotton Manufactory."[2]

Two years later, when industrial conditions were less propitious, it was

> "Resolved that the Governor and Deputy Governor shall have the management and direction of the Funds and concerns of this Society and that they use their best exertions to realise the Debts due to the Society in the most advantageous way, that when a favorable opportunity offers the manufacture of Cotton and other Articles may be resumed."[3]

Now, as before, the misfortunes or disloyalty of an officer hampered the endeavors of the Society. In 1797 the board had elected as deputy-governor George Scriba of New York, and he acted as treasurer in the succeeding years, having charge not only of the important account books of the Society, but of its property in stocks and bank accounts as well.[4] At the board meeting in 1802, which he did not attend, a letter from Scriba was read, proposing

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[1] For these facts see the various acts and joint resolutions indexed by Hood, and reports of committees and the state treasurer in *Assembly Minutes*, esp. (1838–39) 359–362, (1840–41) 86, (1853) 434–435, (1854) 126.

[2] *Minutes*, 134.

[3] *Ibid.*, 139.

[4] *Ibid.*, 124.

> "that as the six per Cent stock of the Society was now payable by annual instalments which would sink the principal, and perhaps not be readily invested again to advantage, in stock — that he would take the said stock without loss . . . at par and would give his bond & mortgage on real estate in the State of New-York, to the satisfaction of the board as a security at seven per Cent. per Annum payable in five years."

The board accepted his offer.[1] During the investigations made on behalf of the legislature in later years, Scriba and his books were very elusive. First he was reported to be "gone into the western country;" Governor Bloomfield saw him, but he was "very ill *in the gout* at Newark" while the books were in New York and could not be moved without his presence; to Vanarsdale's repeated summonses he made no reply whatever. The governor reported to the board in April, 1814,

> "that the Interest was behind very much & having frequently called upon M^r Scriba in vain for the settlement he was apprehensive the security would not be sufficient;"

and Mr. Colt, to whom the governor had committed the matter, could only report "that he succeeded in Securing the Loan made to M^r Scriba, by making him a further advance."[2] It was evidently this debt that effectually prevented resumption of operations when conditions seemed to be ripe. In October, 1817, the governor was directed to take legal measures to recover from Scriba the books, accounts, and "also all sums of money due from him either on book or by note or bond."[3]

At all events, even though the funds were eventually recovered, the Society never did resume manufacturing operations on its own account. Henceforth its activities were confined to the management, with the occasional improvement, of its extensive landed estate in Paterson, including the valuable water-power rights on the Passaic which it enjoyed as riparian owner. In 1827 a third raceway was constructed, affording sites for additional factories;[4] it successfully resisted, about this time, operations of the *Morris Canal and Banking Company* which tended to injure its water power;[5] and in 1868 it obtained from the legislature additional authority to build dams above the Great Falls,

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[1] *Minutes*, 127.

[2] *Ibid.*, 130, 132.

[3] *Ibid.*, 140.

[4] 1 N. J. Eq. 162; Dickerson, *Lecture on Paterson*, 8.

[5] *Society* v. *Morris Canal and Banking Co.*, 1 N. J. Eq. 157. The injunction

> "to develop and improve the Water Power of the Passaic River . . . in order more effectually to carry into effect the objects of their incorporation, and . . . extend and increase manufacturing establishments in the county of Passaic."[1]

The depression in manufacturing fields which followed the peace of 1815 affected seriously the business of the town: by 1822 hardly any of the cotton mills remained in possession of the original owners, so general had been the failures.[2] It is not improbable, however, that while this temporarily reduced the income of the Society it enabled them to increase advantageously their investment in the town; and with the return of prosperity this meant increased income. It was probably in this period that something was realized by making sale of the lottery rights which the Society still possessed.[3] New industries were soon established.[4] The town grew from 4787 in 1824 to 9085 in 1835 and 11,000 in 1845;[5] in 1831 it was made a separate township, in 1837 it became the county seat of the newly formed Passaic County, and in 1851 it was incorporated as a city.[6] By 1832 the annual leasing value of the mill seats, unimproved, at first as low as $75, had risen to as high as $500.[7] Before 1830 the Society estimated its lots appropriated to manufacturing purposes, with buildings and machinery thereon (not all, indeed, its own property), to be worth $800,000,[8] and in 1845 the figure given was $1,800,000.[9] In 1882 the Society controlled a water supply estimated at 2108 horsepower, of which 1836 was in

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requested was not granted, but was virtually promised if need for it should clearly arise. Cf. the report of John L. Sullivan, the Society's engineer, published in 1828.

[1] *Session Laws*, March 30, April 16, pp. 545, 1091–1092.

[2] White, *Samuel Slater*, 221 n; Dickerson, *Lecture on Paterson*, 11; *True American*, Feb. 17, 1821, March 22, 1823.

[3] *John Kean* v. *R. L. Colt et al.*, 5 N. J. Eq. 368, 377 (1846).

[4] Trumbull, *Industrial Paterson.*

[5] *Ibid.*, 19; 1845 case cited in note 2 below.

[6] Shriner, *Paterson, N. J.*, 3.

[7] Gordon, *Gazetteer of N. J.*, 207–208. Cf. also *Society* v. *Haight*, 1 N. J. Eq. 397 (1831).

[8] 1 N. J. Eq. 158–159, 162.

[9] *Morris Canal and Banking Co.* v. *the Society*, 5 N. J. Eq. 206.

use, and water rights leased for $750 per square foot (estimated at 17 horsepower).[1]

The Society's history was not untroubled. It was in frequent litigation with the Morris Canal and Banking Company over water power,[2] with lessees on account of the terms of leases or use of power,[3] and with town or city on the subject of taxes.[4] In the first it was successful in defending its title "to the flow of all the waters of the Passaic, at the Great Falls, in their ancient channel, without diminution or alteration." In the second it also was generally upheld by the courts when long usage was not contrary to its claims, but in 1859 the chief justice asserted, in the Court of Errors and Appeals, the significant doctrine that

> "The character of a public use is . . . clearly impressed upon this water, and the power which it creates.
>
> "The Society are not a mere private corporation controlling that power solely for their private interests. They are, to some extent, trustees of the power for great public purposes, and are bound to husband and use that power so as to promote the common interest of all who use it."[5]

In the series of tax cases decided in 1854, however, it was held that while the property of the Society devoted to manufacturing purposes and the stock of the company was exempt from taxation; but on the other hand that

> "mountain lands, farm lands, town lots or dwellings, can have no necessary connection with the water power or privileges; they are not necessarily incident to the purposes of the corporation, and are not exempt under the provisions of the Society's charter."[6]

This was an important curtailment of the privileges which the Society had hitherto enjoyed. Indirectly the Society's own charter was attacked in 1829–30 on the score of the abandonment of the objects for which it was granted, but this was unsuccessful, as was also a suit in 1845–46 to dissolve the corporation, brought by one who represented himself as a small stockholder distrustful of Colt's management.[1] Equally unsuccessful was the plea of the Society in 1854, in a tax case, that because of the municipal corporation provisions in its charter the recent city charter was invalid.[2] Because of its wealth, perpetual charter, and control over so much of the basic natural resources of the town and city, the Society was subject to a good deal of criticism, for which occasional harshness of terms may have afforded excuse.[3] Particularly was hostility directed against the policy of twenty-one-year leases, and it may have been in part due to this criticism that more frequent sales were made after 1845.[3] Yet such was the remnant of its holdings that a successor in title in 1887 came into possession of real estate in every ward of Paterson except one.[4]

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[1] Trumbull, *Industrial Paterson*, 35.

[2] Cf. 1 N. J. Eq. 157 (1830), 5 N. J. Eq. 203 (1845), 30 N. J. Eq. 145 (1878).

[3] Cf. 1 N. J. Eq. 393 (1831), 5 N. J. Eq. 126 (1845), 12 N. J. Eq. 264, 498 (1859), 17 N. J. Eq. 19 (1864).

[4] 24 N. J. Law 370, 385, 400, 402, 406 (1854).

[5] *Society* v. *Butler and Taylor*, 12 N. J. Eq. 504. Contrast the view of Chancellor Vroom in 1832, in *Scudder* v. *Trenton Del. Falls Co.*, 1 N. J. Eq. 728.

[6] *State* v. *Flavell and Fredericks*, 24 N. J. Law 382.

Eventually the real estate was largely disposed of to a related land company, incorporated in 1887,[4] and its water rights were leased to the East Jersey Water Company.[4] To-day the corporation is virtually inert, enjoying the income from these leases and from securities of these and other companies. As it has been jocosely remarked, the Society now might well be called not "S. U. M." but "F. U. I. T."

While, therefore, the hopes of the founders proved unduly sanguine, for those who were able and willing to wait the Society's stock became a highly profitable investment and the corporation proved itself no insignificant factor in promoting the development of a "considerable manufacturing town." The event has thoroughly justified the farsightedness, if not the sense for immediate profit, which was shown by the original entrepreneurs.

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[1] *Society* v. *Morris Canal and Banking Co.*, 1 N. J. Eq. 160–162, 179, 184, 186; *Kean* v. *Colt et al.*, 5 N. J. Eq. 374.

[2] *City of Paterson* v. *Society*, 24 N. J. Law 386, 389, 399–400.

[3] Trumbull, *Industrial Paterson*, 36.

[4] Shriner, *Paterson*, N. J., 108.

APPENDIX A

QUOTATIONS OF "MANUFACTURING SCRIPS" ON THE NEW YORK STOCK MARKET, 1792, AS CURRENTLY REPORTED BY THE "DAILY ADVERTISER" (ONE-FOURTH PAID, $19.91 CASH)

Date	Cash	10 days	20 days	30 days	60 days	90 days	Others
Jan. 7	. . . . . .	. . .	. . .	. . .	. . .	50–55 % adv.	. . . .
9	. . . . . .	. . .	. . .	. . .	. . .	. . .	66–68½% adv. Mar. 15
10	. . . . . .	. . .	. . .	. . .	. . .	. . .	$91 * Feb. 1
11	$36–38	. . .	. . .	. . .	. . .	. . .	. . . .
13	. . . . . .	. . .	. . .	. . .	. . .	. . .	$41–47 45 da.
17	. . . . . .	. . .	. . .	$46–34 –35½	48	. . .	. . . .
21	$36½–32	. . .	. . .	. . .	. . .	. . .	. . . .
23	$25	. . .	$50	$51½	. . .	. . .	. . . .
28	45–36½–37½	. . .	. . .	. . .	. . .	. . .	$60½–51 May 1
30	37½–35–37¾–36	. . .	. . .	39¼	. . .	. . .	47 May 1 45¼–47½ May 15
31	37–36–37	. . .	. . .	. . .	. . .	. . .	. . . .
Feb. 1	. . . . . .	. . .	. . .	. . .	. . .	50	39 Feb. 18
2	37 (10 wanted)	. . .	. . .	39½	43½	. . .	. . . .
3	. . . . . .	. . .	. . .	39½ 37(40 wanted)	44½–47½	. . .	49 May 15
4	. . . . . .	. . .	40	. . .	. . .	. . .	. . . .
7	36–36½	39–42½	. . .	. . .	. . .	. . .	37–38 Feb. 15
9	. . . . . .	39–39½	. . .	. . .	. . .	. . .	. . . .
10	. . . . . .	. . .	. . .	. . .	51	. . .	. . . .
11	. . . . . .	. . .	. . .	. . .	. . .	47	. . . .
15	. . . . . .	. . .	. . .	44½	48½	50	. . . .
16	45–44½ (wanted)	. . .	. . .	. . .	. . .	48	. . . .
22	. . . . . .	. . .	. . .	. . .	. . .	. . .	48¾ Mar. 1
24	. . . . . .	. . .	. . .	. . .	57½	. . .	. . . .
27	. . . . . .	. . .	. . .	. . .	. . .	. . .	51 Mar. 5
28	55	. . .	. . .	. . .	. . .	. . .	52 Mar. 15
29	. . . . . .	. . .	55–58½–59	50	. . .	. . .	. . . .

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* The present writer believes this quotation to be erroneous.

APPENDIX B

Alexander Hamilton on Planning a Lottery

AMONG the Hamilton manuscripts in the Library of Congress are two sheets which seem to be written in Hamilton's own hand and endorsed in the same hand, "Ideas respecting a Lottery." Another endorsement, possibly that of J. C. Hamilton, reads — "Thoughts respecting Lotteries by General Hamilton." Accompanying these is a third sheet full of figures which are interpretable as three distinct drafts of lottery plans, — apparently in the same handwriting as the first two sheets and belonging with them. There is also a fourth sheet entitled "Scheme for a Lottery" which is written in the fine script of a clerk but annotated at one point in what is probably the hand of the writer of the earlier pages. This last sheet contains another plan, and a summary of provisions to be regarded in the management of the lottery.

These documents, which have been carded as if they referred to a proposed public lottery in New York state, 1790, seem to have reference to the lottery for the benefit of the *Society for establishing useful Manufactures*, and were probably, in part at least, memoranda jotted down for one of its committees.[1]

The documents are reprinted here chiefly for what they contribute to a picture of the "social mind" of 1792–1794, showing the characteristics of the risk-takers of the day as they were seen by a keen observer. Moreover, the suggestion of tapping the metropolitan markets of New York and Philadelphia by opening offices in New Jersey nearby, indicates that a hundred odd years ago, as well as in latter days, able lawyers were quite ready to evade state laws by making full use of convenient boundary lines, — for both New York and Pennsylvania had forbidden the sale within their borders of lottery tickets not authorized by their own laws.

[Ideas respecting a Lottery.]

"In concerting a lottery, with a view to the best success of the undertaking — the following points seem necessary to be attended to —

1 That it be simple and summary; because it will be more readily understood by every body & the imagination will see fewer obstacles between *hope* and *gratification*.

2 That the Tickets be at a low price and within the reach of great numbers — The Rich or adventurous can then purchase a greater number to bring their chances to the same ratio with higher prices; and the less rich or more cautious can take a chance without putting much to risk. Every body, almost, can and will be willing to hazard a trifling sum for the chance of a considerable gain.

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[1] *Supra*, 407, 477.

3 That there be rather a *small* number of *large* prizes or a *considerable* number of *considerable* prizes — than a great number of *small* prizes; for adventurers would as lieve lose altogether as acquire trifling prizes and would prefer a small chance of winning *a great deal* to a great chance of winning little — Hope is apt to supply the place of probability — and the Imagination to be struck with glittering though precarious prospects — It may be suspected that in this country the middle course will best succeed; that is a *considerable* number of *considerable* prizes. Moderate sums will appear here great to far the greatest number of adventurers — And if the sum which may be raised should be raised successfully, it may be well to have such a number of prizes as will raise conversation of winnings within a number of little circles.

Taking these principles as guides and supposing 30000 Dollars (including charges) the sum to be raised — the following scheme may perhaps not be ineligible —

1.		30 000
1.		20 000
1.		10 000
2	@ 5000	10 000
4	@ 2500	10 000
5	@ 1000	5 000

50 000 Tickets each at 4 Dollars	200 000
Deduct sum to be raised	30 000
Difference will be the Total am^{t} of the prizes	170 000

Prizes

1		20 000
3	each 10000	30 000
6	each 5000	30 000
10	each 1000	10 000
80	each 500	40 000
400	each 100	40 000
500		170 000

It will probably be found easier to raise the sum allowed to be raised [$100,000] in different portions than in an entire sum — I should not think 30 000 likely to be beyond the reach of pretty easy accomplishment.

Offices for the sale of Tickets ought to be opened at Powles Hook on the North River [now Jersey City] and at [blank] on the Delaware. This will make Philadelphia & New York the *markets.*

Perhaps it will be most adviseable to draw the lottery at Powles Hook —

It is not certain that the following scheme would not succeed much better

Prizes

1		50 000
1		20 000
5	each 10 000	50 000
50	each 1000	50 000
		170 000"

“Scheme for a Lottery

2	of	30,000	60,000
2	“	20,000	40,000
4	“	10,000	40,000
8	“	5,000	40,000
10	“	2,000	20 000
15	“	1,000	15,000
20	“	500	10,000
40	“	200	8,000
60	“	100	6,000
100	“	50	5,000
1	first Drawn		2000 +
5	first Drawn last 5 Days.		10,000
1	last Drawn		2 000
16400	of	30	492 000
16668	prizes		
33232	Blanks		
50,000	Tickets @ 15 D$^{s.}$ each		750,000

+ transpose this to last drawn because the Sales will be promoted by the expectations at the close. Qu: would it not be well to transpose of [?] 20 or 30,000 D$^{s.}$ to *the last drawn.*[1]

The Tickets all to be sold by *Contract* the Contractors giving security for keeping their engagements. The time of drawing to be fixed by *Law* and Commissioners appointed also by *Law* to attend the same — The payments to be made by *installments* The *Law* that authorizes the drawing of the Lottery must also fix *the time for payment* of the *prizes* — there must also be a *Law* authorizing proper persons who apply for the privilege to devide the Tickets in halves, quarters, Eights &c first depositing *the Ticket so divided* in the hands of some responsible *public* officer who will by some signature *Identify* the shares so divided and stamp a Value upon them in the public opinion that *nothing else* will give them — The Tickets to be delivered to the Subscribers at 17.25 each Ticket and *no deduction* whatever made from the prizes. this will cover the 100,000 D$^{s.}$ and leave a handsome allowance for the expences attending the conducting — drawing &c. —”

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[1] This is the annotation which seems to be in Hamilton’s hand.

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